Bouwinvest Dutch Institutional Office Fund N.V.

2018

Annual Report

Bouwinvest Real Estate Investors

Table of contents

2018 at a glance

Key information in 2018

TOTAL FUND RETURN	INCOME RETURN	RELATIVE PERFORMANCE	GRESB STAR RATING
11.5%	2.3%	-1.9% MSCI NETHERLANDS PROPERTY INDEX (ALL PROPERTIES)	★★★★★ 5-STAR RATING

SECURED PIPELINE	AVERAGE FINANCIAL OCCUPANCY RATE	LIKE-FOR-LIKE RENT INCREASE	INVESTORS
€ 224 MILLION	89.2%	2.0%	4

Highlights 2018

- € 90 million invested, no divestments
- No new investors in 2018
- Acquisition of new office development project Central Park, Utrecht
- Long-term lease renewal of major lease for Centre Court (The Hague)
- Total of new and renewed leases for 68,305 m2 with an annual rent of € 14,374,925
- Cultural Heritage Agency approval of Masterplan for WTC Rotterdam
- Improved control of redevelopment projects Building 1931 and Building 1962 in Amsterdam

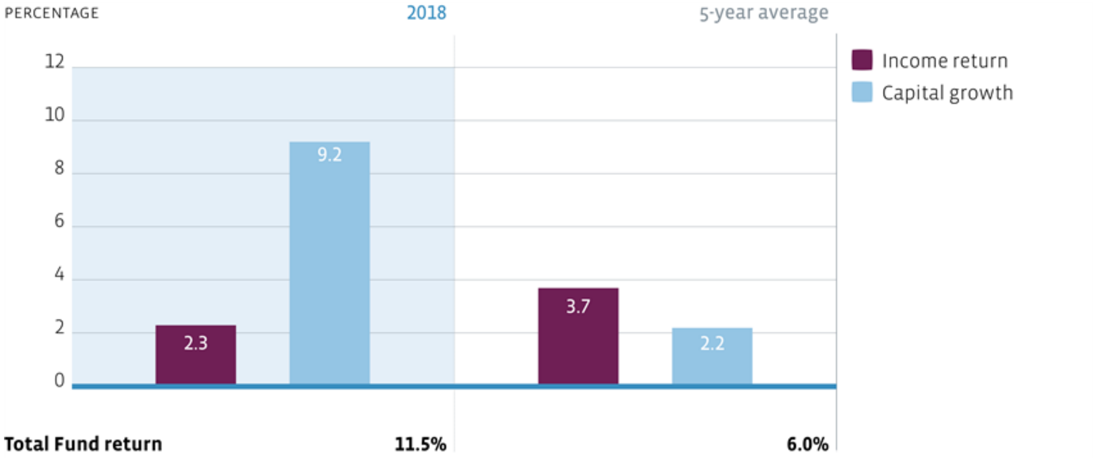
All amounts in € thousands, unless otherwise stated

Performance per share	2018	2017
Dividends (in €)	52.98	59.81
Net earnings (in €)	266.98	277.97
Net asset value IFRS (in €, at year-end)	2,506.33	2,295.87
Net asset value INREV (in €, at year-end)	2,511.10	2,306.55

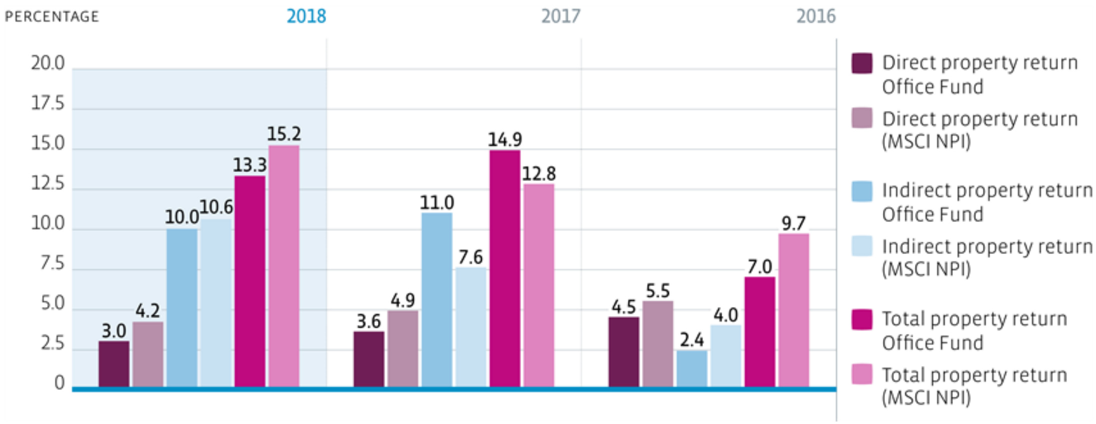
Statement of financial position	2018	2017
Total assets	782,645	644,945
Total shareholders' equity	771,241	631,446
Total debt from credit institutions	-	-

Result	2018	2017
Net result	75,962	71,746
Total Expense Ratio (TER)	0.55%	0.54%
Real Estate Expense Ratio (REER)	2.51%	3.20%

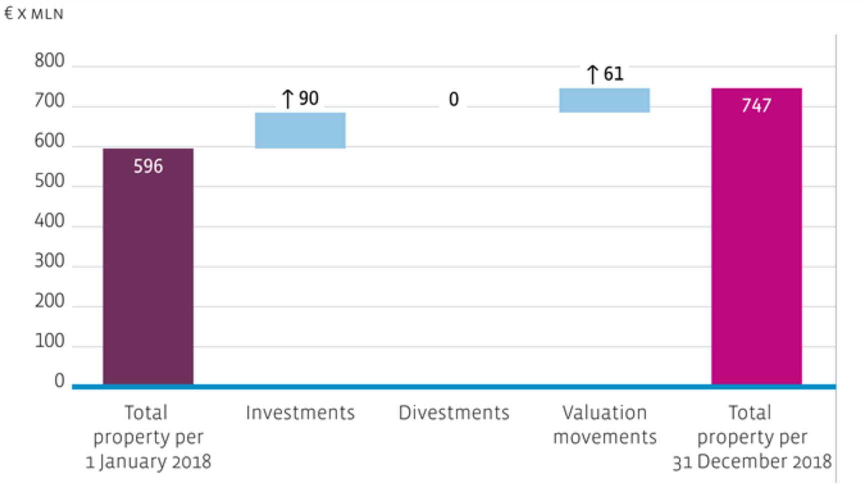
Fund return



Property performance versus MSCI Netherlands Property Index (All properties) - (MSCI NPI)

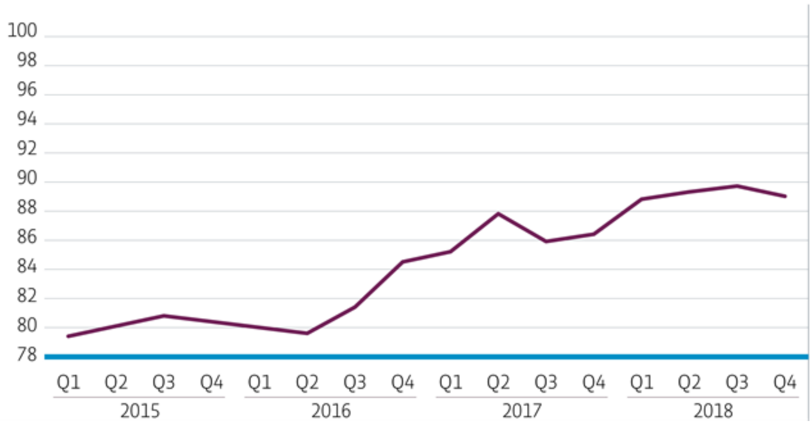


Portfolio movements



Financial occupancy rate

PERCENTAGE



Portfolio figures	2018	2017
Investment property (in € 1,000)	536,054	468,661
Investment property under construction (in € 1,000)	210,857	127,432
Gross initial yield	6.8%	8.0%
Total number of properties	18	17
Average rent per square metre per year (in €)	177	180
Financial occupancy rate (average)	89.2%	86.3%
Sustainability (A, B or C label)	73.0%	73.1%

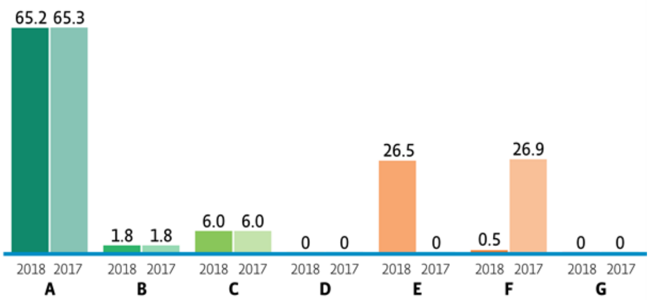
Responsible investment key data

Continued improvement of the Fund's sustainability performance

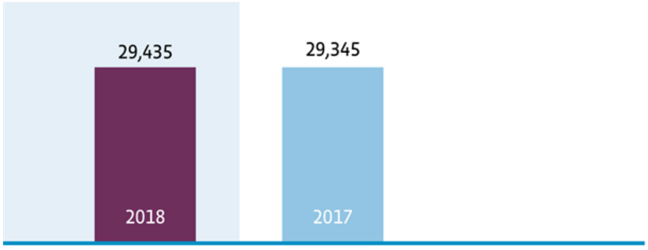
Investing in sustainable real estate

BREEAM building label (% of lettable floor space)

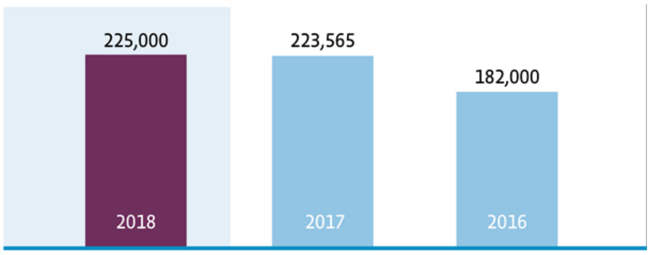
Investment property by labelled floor space (m²) in %



Energy consumption (like-for-like, MWH)

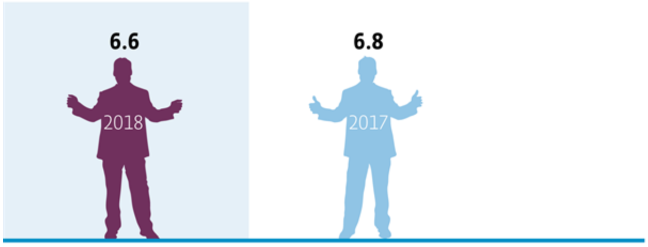


On-site solar panels (Watt)



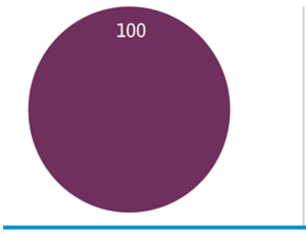
Enhancing stakeholder value

Satisfaction scores tenant engagement survey



Participant rate tenant engagement survey

% construction sites registered as considerate construction scheme



Highlights Responsible Investment 2018

- Retained GRESB 5-star rating (total of 88 points), ranked in top 20% best-performing real estate funds worldwide
- BREEAM-NL labelling for 98% of the Fund's properties (minimum 'Good')
- 73.0% of properties awarded a green energy label (A, B or C label)
- Average energy index of the portfolio is 1.05
- 224 kWp solar panels installed on properties
- Energy consumption increased with 0.3% (like-for-like) in 2018
- All (100%) construction sites registered under Dutch considerate constructors scheme

Key information over five years

All amounts in € thousands unless otherwise stated

	2018	2017	2016	2015	2014
Statement of financial position					
Total assets	782,645	644,945	536,257	567,043	579,982
Total shareholders' equity	771,241	631,446	525,988	554,723	565,113
Total debt from credit institutions	-	-	-	-	-
Performance per share					
Dividends (in €)	52.98	59.81	73.18	88.22	129.43
Net earnings (in €)	266.98	277.97	118.22	15.06	3.01
Net asset value IFRS (in €, at year-end)	2,506.33	2,295.87	2,084.17	2,038.11	2,113.01
Net asset value INREV (in €, at year-end)	2,511.10	2,306.55	2,101.63	2,059.70	2,140.47
Result					
Net result	75,962	71,746	30,506	4,034	612
Total Expense Ratio (TER)	0.55%	0.54%	0.55%	0.58%	0.54%
Real Estate Expense Ratio (REER)	2.51%	3.20%	2.66%	2.93%	2.25%
Fund return					
Income return	2.3%	2.9%	3.6%	4.2%	5.7%
Capital growth	9.2%	10.2%	1.9%	(3.7)%	(5.6)%
Total Fund return	11.5%	13.1%	5.5%	0.5%	0.1%
Portfolio figures					
Investment property	536,054	468,661	458,762	478,197	553,353
Investment property under construction	210,857	127,432	44,645	-	6,201
Gross initial yield	6.8%	8.0%	6.7%	6.4%	8.2%
Total number of properties	18	17	17	16	30
Average monthly rent per square metre (in €)	177	180	183	178	169
Financial occupancy rate (average)	89.2%	86.3%	81.3%	80.1%	89.9%
Sustainability (A, B or C label)	73.0%	73.1%	73.0%	66.6%	85.5%
Property performance (all properties)					
Direct property return	3.0%	3.6%	4.5%	4.9%	6.6%
Indirect property return	10.0%	11.0%	2.4%	(3.4)%	(5.3)%
Total property return	13.3%	14.9%	7.0%	1.4%	1.3%
MSCI (Netherlands Property Index) office real estate (all properties)					
Direct return MSCI (NPI)	4.2%	4.9%	5.5%	6.0%	6.7%
Indirect return MSCI (NPI)	10.6%	7.6%	4.0%	(2.2)%	(3.5)%
Total return MSCI (NPI)	15.2%	12.8%	9.7%	3.7%	3.0%

The Office Fund at a glance

The Fund has a clear focus on future-proof office spaces, spaces that are defined by their flexibility and their role as meeting places. The offices in the Office Fund portfolio are inspiring places that people like to visit and want to work in. Our main focus is on sustainable, multifunctional offices with multiple tenants in the four largest Dutch cities.

Fund characteristics

- No leverage
- Core investment style
- Long-term average annual Fund return plan of between 6.0% and 7.5%
- Robust governance structure
- Investment structure for an indefinite period of time
- Reports in accordance with INREV standards

Fund management

Bouwinvest Real Estate Investors B.V. is the manager and Statutory Director of the Office Fund. The Bouwinvest Board of Directors is responsible for Bouwinvest's long-term strategy, as well as the day-to-day management of the organisation itself and its invested capital. Bouwinvest's Dutch Investments business unit is responsible for all real estate investments in the Netherlands. This business unit has a dedicated asset management team specialised in the office real estate sector, with experts in acquisition and divestment, property revitalisation and letting.

Our vision of the Dutch office market

- Strong occupier and investment demand for high quality office space in highly accessible locations in the largest Dutch cities
- Technology enables 'office space as a service' approach
- Climate goals and societal debate increasing investments to improve sustainability
- Flexibility contributes to long-term tenant relationships
- Distinctive, smart and healthy offices support recruitment of young talent

Fund strategy

The Office Fund aims to increase its invested capital to € 1.2 billion by year-end 2021. The Fund has a clearly defined growth strategy with a strong focus on the optimisation of its portfolio through targeted acquisitions and the revitalisation of assets.

The Fund's strategy has proven itself over the years and continues to focus on:

- Core regions and prime locations
- Multi-functional locations with excellent transport links
- Multi-tenant assets
- Enhancement of core assets
- Responsible Investment: Continuing the improvement of the Fund's sustainability performance
- Improvement of occupancy rates

The Office portfolio at a glance

Portfolio characteristics

- Total portfolio of € 747 million (18 assets, 264,370 m²) at year-end 2018
- All investments in core regions: Amsterdam, Rotterdam, The Hague and Utrecht
- Focus on multi-tenant assets (80.0%)
- Focus on Responsible Property Investment
- 73% green energy labels (A, B or C label)
- Retained GRESB 5-star rating (top 20% of best-performing real estate funds worldwide)

Core region policy

To identify the most attractive municipalities for investments in office real estate, the Fund takes into account the following indicators:

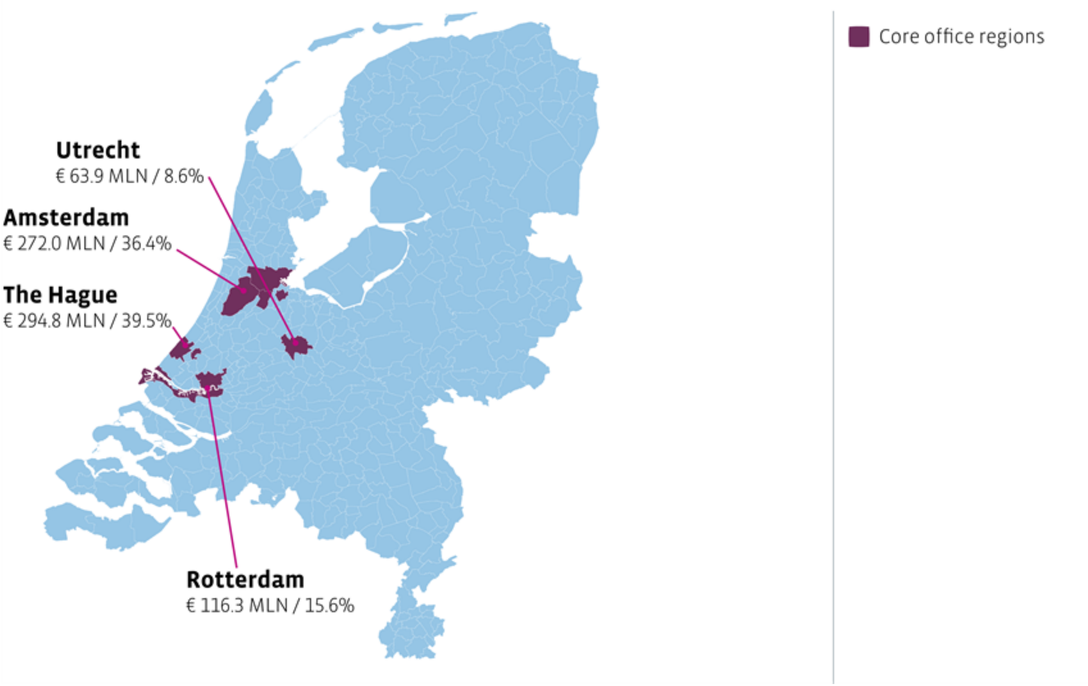
- Economic growth (GDP)
- Total employment
- Employment growth
- Office stock
- Occupier demand
- Vacancy
- Investor liquidity/ investment volume

Characteristics of the exact location (such as proximity to public transport, accessibility by car, visibility and overall attractiveness) and the asset (such as multi-tenant, flexible and large floors, sustainability and inviting entrance area) are part of the model used to determine the risk/return profile at asset level.

The Funds' core regions closely correlate with the urbanisation trend in the Netherlands and the ongoing shift towards a knowledge-based economy. Following the tightening of the core region policy in 2017, only Amsterdam, Rotterdam, The Hague and Utrecht are now considered core regions.

The plan is to have at least 80% of the total portfolio value invested in properties in these core regions. This currently stands at 100%. Due to the two large assets in The Hague, this region still accounts for the largest part of the portfolio within the G4 cities. However, the investment amount and value increases in Hourglass and Building 1931 and Building 1962 have increased the share accounted for by the Amsterdam region. Utrecht is still lagging, but its share will increase to around 20% following the completion of the recent acquisition of Central Park.

The Office Fund's core regions based on market value



Major segments

Multi-tenant assets

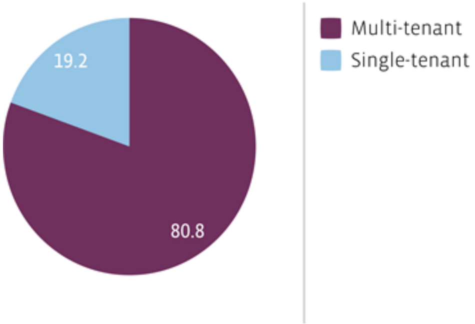
Multi-tenant exploitation can reduce the volatility of revaluations and increase the control of asset management risks, thanks to multiple lease agreements with different expiry dates and debtors. This is also in line with the diversification guideline of >70% multi-tenant assets.

A diverse office population can also enhance a building's image as a natural, inspiring meeting place. To reinforce the dynamic character of such work and meeting spaces, it is important to offer additional (shared) facilities in the building or in its immediate vicinity. These can include catering establishments, shops, childcare facilities and other amenities, plus a range of networking spaces.

Users vary by sector, culture and nationality, but also in their requirements for office space. A flexible lay-out is essential to accommodate the workforce of a large corporate head office, as well as smaller satellite offices. Thanks to its active asset management approach, the Fund is able to respond quickly to the changing and evolving needs of its varied tenant base and changing market dynamics.

Portfolio composition by single versus multi-tenant based on market value

PERCENTAGE



Selection of principal properties
Existing portfolio

WTC
The Hague

WTC
Rotterdam

CentreCourt
The Hague

Olympic Stadium
Amsterdam

De Lairessestraat
Amsterdam

Valina
Amsterdam

Maasparc
Rotterdam

Nieuwe Vaart
Utrecht

Valeriusplein
Amsterdam

Portfolio pipeline

Hourglass
Amsterdam

Building 1931
Amsterdam

Building 1962
Amsterdam

Central Park
Utrecht

Message from the chairman

Dear stakeholders,

The Office Fund had a very busy year in 2018, on both the redevelopment and acquisition fronts, and emerged with a total return of 11.5%. The global financial crisis hit the office market the hardest and we have seen a number of very difficult years, because the office market is the most sensitive to economic cycles. But the market is now recovering strongly, as we are in an economic upswing. The Dutch economy is performing strongly and unemployment is at record lows. In fact, the office market is doing so well one of the biggest challenges is the fact that supply is lagging demand, especially in prime office locations in our core cities.

And once again, our strategy of focusing on the G4 cities and multi-functional locations with easy access to public transport and road links paid off last year, as we saw valuation increases and got our occupancy rate up to 89.2%. This despite the fact that the Office Fund could be considered a portfolio under construction, as we await the completion of a number redevelopment projects and two prime new-build projects in Amsterdam and Utrecht.

We made a lot of progress on the redevelopment front last year, despite a number of major hurdles. We furthermore reached agreement with the Dutch Heritage Agency on the listed section of WTC Rotterdam, which should speed up a number of projects in the building. We also opened the Business Center and the new coffee shop. Very encouragingly, the Rotterdam office market is showing clear signs of recovery from a vacancy rate of 20% at one point. WTC Rotterdam will help us take full advantage of the increasing demand for high-quality office space in the city.

We also faced delays and snags in the redevelopment of the former Citroen buildings Amsterdam, Building 1931 and Building 1962. We were forced to assume control of the projects and we are now back on track to deliver according to a new schedule. This obviously involved a great deal of extra time and attention, as we had to appoint a task force to deal with a wide range of issues. I am grateful for the collaboration with sub-contractors, suppliers and tenants to arrive at solutions that everyone is happy with. It was a tough job but we got it done together. Our original slogan when we started this project was 'Aim higher'. And that is exactly what we did.

Once completed, this project will give us two unique office buildings, with high-profile tenants. Pon Holdings, with its Move mobility concept, and sports apparel firm Under Armour are a perfect fit with the ethos of the capital's Olympic area.

And we made a second major acquisition of a new-build project after the acquisition of Hourglass in Amsterdam in 2016: the Central Park building fills a gap in our portfolio, as it gives us a prime office building in Utrecht and will give our portfolio a much better balance between the G4 cities. So while Central Park is very attractive from a return point of view, it is even more important strategically, as we now have a major asset in all the G4 cities. Central Park is in an outstanding location, right next to Utrecht Central Station in the heart of the city, and in an area that is undergoing a major transformation. It will also be built to the highest levels of sustainability in line with the Fund's responsible investment ambitions. And on another level, this building will be a wonderful boost for Utrecht as a city, as well as for the Holland Metropole region.

Meanwhile, Hourglass is on schedule for completion in the fourth quarter of 2019. This will be an iconic building in what is rapidly becoming the busiest area in the Netherlands, the Zuidas business district.

Of course, the economy was booming in 2018 and there are now signs that we will see a slight slowdown in economic growth this year and 2020. But the demand for office space in prime locations, especially multi-functional locations with outstanding transport links, will remain strong even in an economic downturn and long into the future. This puts the Office Fund in a strong position for future returns.

The major dilemma on the office market is the fact that so much office space that is simply not fit for purpose in today's - or tomorrow's - office market. And it never will be again. This is why there are such high vacancy rates in certain parts of the country, or certain areas in our cities. A lot of this office space will have to be transformed for other purposes or demolished if this is not appropriate. Luckily, local and national governments have proved willing to work with the real estate industry to try to solve this problem, so there is hope for a solution to the growing mismatch in supply and demand in the office market.

One of the major issues that dominated the market for much of last year was the government's plans to scrap the dividend withholding tax. One consequence of the abolition of dividend withholding tax was that Fiscal Investment Institutions (FIIs) would no longer be allowed to invest directly in Dutch real estate. This would have had a major impact on the Dutch sector funds that Bouwinvest manages and required Bouwinvest to restructure its investment funds to mitigate this impact. Thankfully, due to a strong lobby and certain circumstances, the government abandoned its plans to scrap the dividend tax and the proposal to ban direct investments in real estate for FIIs. This lifted the cloud of uncertainty that had hung over the Dutch real estate market and we saw an immediate uptick in interest from investors, who had been waiting on the sidelines to see what would happen.

We can now put our full focus on the continued optimisation of our portfolio. We will continue with the redevelopment projects in Amsterdam and renovation of WTC Rotterdam. We will also be devoting a lot of attention to our new-build projects in Amsterdam and Utrecht. And we will be keeping a close eye on the market for any outstanding acquisition opportunities. That said, the office market is so popular with investors right now that the competition for prime assets is likely to make it difficult to meet our hurdle plans. However, we are fully confident we will achieve our growth plan of invested capital of € 1.2 billion in the coming plan period. This will give us the synergies and scale we need to safeguard our long-term return plans for our investors.

All that remains now is for me to thank our investors for their continued faith in our strategy and all our employees for their hard work and commitment to Bouwinvest in 2018.

Dick van Hal

Chairman of the Board of Directors

Report of the Board of Directors

Market developments and trends

Economy

The Dutch economy continued to perform strongly in 2018, although momentum did weaken in the second half of the year. Private consumption was the primary driver of this economic performance, while the growth of exports flattened. High levels of consumer confidence in combination with low interest rates fuelled house price increases and boosted housing market related sectors.

Real GDP growth amounted to 2.6% in 2018, which makes the Netherlands one of the most flourishing economies in Western Europe. All the drivers of economic growth showed positive figures, but private consumption was clearly the strongest. The 9,3% increase in house prices had a positive impact on other economic segments. However, economic forecasts show a diverse but lower growth path for the years ahead. Firstly, a steady decline in housing affordability had affected consumer confidence by the end of the year and this is expected to have a negative impact on private consumption going forward. Secondly, higher interest rates are likely to flatten economic growth. The European Central Bank had ended its stimulus programme by the end of 2018 and this is expected to result in higher policy interest rates.

The Dutch labour market performed very well as a result of both job growth and a decline in unemployment rates to record low levels. However, a record number of job vacancies has resulted in a very tight Dutch labour market. Over the course of 2018, consumer prices increased slightly and forecasts indicate a further increase to slightly below the 2% plan rate. Although the outlook for the Dutch economy looks good, especially in a European context, forecasts signal a trend towards lower growth.

This outlook coincides with greater ambiguity due to several factors. The European economy is facing the challenge of the (still unknown) outcome and impact of Brexit, but also of political tensions and anti-European populist sentiments in specific countries. On a global scale, geopolitical tensions and protectionist policies will lead to growing uncertainty in the years to come.

The thriving economy also resulted in a further increase of employment. Most recent data shows an annual employment growth of 2.8% to 8,420,000 jobs in September 2018, while office employment increased by 9.9% to 2,779,000 in the same period (CBS). The Dutch government's economic policy analysis unit CPB expects total employment to grow by 2.2% in 2018 and by 1.5% in 2019.

Public policies

For most of 2018, the Dutch institutional investment market was dominated by the debate on the Dutch government’s plans to abolish the 15% withholding tax on dividends from shares in Dutch companies. The government’s 2019 Tax Plan stated that due to the abolition of the dividend tax, Fiscal Investment Institutions (FIIs) would no longer be allowed to invest directly in Dutch real estate. This measure would also have impacted the Dutch sector funds that Bouwinvest manages. However, the coalition parties were divided on this measure and following certain specific market developments, in October 2018 the government withdrew its plans to scrap the dividend tax. This led in turn to the immediate withdrawal of the proposed ban on direct investments by FIIs. Consequently, Bouwinvest no longer needed to adjust the structure of its Dutch sector funds.

The public policy with the largest impact on the office market is the push towards more energy-efficient buildings, which will be discussed in the next section on sustainability. At a local level, there is an ongoing trend among municipalities to facilitate the transformation of outdated offices for other uses. However, as a number of prime office locations now have almost no supply left, municipalities are now slowly including opportunities for new prime developments in their policies. These often pertain to developments with a combination of functions to ensure future use and liveability.

Sustainability and climate change

One of the many consequences of not meeting the Paris climate control goals will be a temperature rise. If global temperatures increase by four degrees, for instance, it is difficult to predict what the consequences will be. We do know that weather conditions will become more extreme with both flooding and droughts. As a result, agriculture will be impacted and areas will become uninhabitable. This will push migration and once again increase the pressure on habitable areas. This is a scenario we will have to prepare for.

In mid-2018, the Dutch Social Economic Council (SER) announced the main concepts of the Dutch Climate Agreement to comply with the Paris Climate Agreement. On the built environment front: before 2050, seven million homes and one million other buildings (including office buildings) will have to be made sustainable one way or another to make them low (or even net-zero) carbon emitting. This pertains largely to existing buildings, as newly constructed buildings will have to be close to energy neutral from 2020. However, a great deal of the technology required already exists, and companies are gearing up to start the transition. One hot issue is the affordability of the measures. In a move aimed at addressing this issue, the government has said it is willing to increase the tax on natural gas and reduce the tax on electricity. This will create an incentive to insulate buildings and install sustainable heating systems. In rental situations, the issue of the split between investments and financial profit still needs to be addressed. Other challenges that will need to be overcome include: the availability of skilled workers, cutting the cost of measures, the development of new technologies, the digitalization of the building process and the availability of proven solutions and resources.

Sustainability and the office market

Before 2021, local governments will come up with plans for the energy transition and map out the availability of sustainable heating at district level. Asset owners will embed this into their sustainability plans and also integrate the reuse of building materials and elements in the building life cycle. In addition to mitigating the effects of climate change, we recognise that climate change is already having an impact and real estate assets need to be resilient. For example, so they are able to recover following an extreme weather event.

The Dutch government recently introduced new legislation that stipulates that from 2023 all office buildings will have to have the minimum of energy label C. Listed buildings are exempted from this requirement for the time being. We expect this law to be tightened even further for offices in the future, which will have an impact on the office market. Outdated offices in mono-functional areas with poor accessibility will be particularly challenging, as it may prove difficult to make a sound business case for continued use as office space. Thankfully, there is no shortage of initiatives to convert outdated office space for other uses, although this does still depend on the location of the buildings.

At the moment, we are seeing that investors are looking for assets and pilot projects that can help them demonstrate their commitment and contribution to the delivery of climate goals. Furthermore, the industry is adopting the UN's Sustainable Development Goals (SDGs) to demonstrate their impact on society.

This is increasing the focus on sustainability in the office market. This is also in line with demand: both investors and tenants are increasingly focusing on this aspect.

Demographics and social changes

Major demographic trends within the Netherlands are population growth, ageing and urbanisation. Due to the ageing of the population, the forecast related to the working age population indicates a slow but gradual decline from 2026 onwards. At the same time, the labour force is expected to remain stable, also in the long run, as people will remain employed to a later age and the participation of women will continue to increase.

The urban regions of the country, with their influx of student and starters, show the strongest growth and are much less affected by ageing. They attract new residents due to the concentration of jobs, but also of cultural and recreational amenities.

In the office market, employers are following the trend of urbanisation and polarisation and generally opt for growing cities that enjoy a steady influx of (young) workers. Employers tend to focus on mixed-use locations with good public transport connections, which meet the qualitative requirements of the working population.

The labour market is becoming more flexible, due to more self-employed people, more companies with a flexible labour pool and an increasing number of people working in a flexible setting. As a result, demand from office users for more flexibility on the rental side is increasing substantially, especially in the largest cities. These office space providers often provide additional services and generally aim to include ‘experience’ elements in their properties.

Demographic shifts in population, urbanisation and ageing are trends that will continue to have an impact on living, shopping, working, mobility and leisure. These trends make it even more important to align the products in the real estate investment market with the future demands of both users and investors.

Technology and innovation

We are seeing the development of new technologies that improve the quality and productivity of business operations and people’s lives on an almost daily basis. This is also true for the real estate sector. Solutions for the current problems faced by today’s construction industry, i.e. the lack of skilled workers and the future shortage of building materials, may be found in the technology of smart robots, the development of new (bio-based) materials and improved circularity. Innovations in other industries, such as ultra-fast trains and driverless cars, could change the choices people make in terms of how and where they live, work and shop. This will have a direct impact on the quality of the locations in terms of how we value them (financially). The growing amount of (big) data may offer a solution. By using new technologies, we will be able to use this data to make more accurate predictions regarding the attractiveness of offices and locations.

Consumers are embracing technological change more and more quickly and are becoming increasingly mobile. This is driving the growing demand for smart office buildings and flexible contracts. In addition to physical office space, users expect digital service platforms that cover the likes of interior climate, health, complaint procedures and related services. This has led to enormous growth for companies such as WeWork. The addition of virtual and augmented reality are making products and services even more attractive for users.

Blockchain technology holds the potential for self-executing contracts, due to the fact that it can be used to settle financial transactions without the intervention of a single person and it is completely trustworthy. This could be interesting for the likes of rental contacts and the outsourcing of work.

To continue to attract (new) tenants to deliver added value to all stakeholders, it is essential to integrate new technologies and innovations in offices and any ancillary services provided in conjunction with the office space. This makes it important to work with new market entrants who are developing these applications.

Occupier market

The economic growth and positive outlook means that companies are anticipating (further) growth, are more inclined to relocate and are more willing to invest in their office accommodation. The Netherlands in general and Amsterdam in particular consistently score high in terms of quality of life, level of education, innovative strength and infrastructure. In the struggle to attract and retain talent, companies see an attractive office at a representative and thriving location with excellent access as an essential asset.

Over the course of 2018 take-up of office space remained fairly stable and totaled 1.4 million square metres, while national vacancy dropped from 13.1% to 9.6% at year-end 2018. At the best locations in the Netherlands, vacancy is currently so low that moving there can be very challenging, while available supply is also dropping substantially in more secondary locations. The latter is also partly due to the ongoing trend of converting empty offices to other uses.

Vacancy rates in the office market are expected to continue to decline in the coming years. The office market will, however, remain primarily a replacement market at national level and an expansion market only in the strongest cities.

Prime rents continued to increase in 2018, especially in top locations and are currently well over € 400 per m^2 in the Amsterdam city centre and the city's Zuidas business district, and well over € 250 per m^2 in the Utrecht city centre. In all cases, these are previously unheard of rent levels. In a number of good, alternative locations, we are also seeing increasing upward pressure on rental prices. These locations tend to appeal to companies that do not want to be situated in an expensive 'corporate' location. In more tertiary areas, on the other hand, the downward pressure on rents in recent years has now largely come to a standstill.

For the coming plan period, we expect the best locations to continue to benefit from the high demand and shortage of good office supply, even if economic growth declines somewhat. Especially since a substantial part of growth will stem from the fast growing IT sector, which generally aims for high quality urban office locations. Other regions will have to continue to transform outdated office space to other uses.

Investment market

Given the low interest rate environment and the yield spread offered by real estate, investors' capital inflow into real estate markets remained strong over the past year. In 2018, around € 21 billion was invested in the Dutch real estate market, just short of the record high € 21.9 billion invested in the previous year. This large investment volume was driven by both domestic and international investors, although the market share of the latter group remained dominant. In 2018 international players accounted for 59% of total investments, compared to 76% for the full year 2017.

On the buy side of the investment market, we are seeing a clear shift. Opportunistic and value add funds used the positive momentum in the market and moved towards the sell side, most notably in the residential market. In contrast, institutional investors remain among the most notable buyers, although they remain active on the sell side too, as they dispose of non-core properties and continue their roll-over strategies.

However, potential threats are looming over the real estate investment market. Prices are high for all financial assets, including real estate, while the ECB's quantitative easing policy has come to an end and the ECB is expected to raise interest rates from mid-2019 onwards. On top of this, the impact of Brexit and unfolding trade wars might prove stronger than expected.

Still, we expect investors' appetite for real estate investments to remain high, due to the fact that real estate continues to prove its value in terms of adding diversification to investment portfolios and the total return it offers compared to interest rates and other asset classes.

The appetite for Dutch real estate was also visible in the office sector, where the total investment volume reached around € 5.8 billion in the full year 2018, around 24% lower than the record high € 7.7 billion invested in the previous year. The share of office investments in the total real estate investment volume dropped to 28% from 35%, as investments in other categories increased more rapidly, especially in the residential and hotel markets.

Buyers of office properties are often foreign investors, especially in the prime office market segment. In the core areas of the largest cities, the vast majority of the office buildings are now owned by foreign investors.

Most (international) investors remain focused on cities and locations with strong employment, large demand for office space and, consequently, low vacancy rates and positive rental outlooks. However, the lack of adequate investment product in these locations, especially in Amsterdam, did result in a shift of investor focus to other major cities, especially Rotterdam and Utrecht.

In line with the increase in investor interest, yields continued to compress in 2018 and have now dipped to below 4% gross initial yield for prime properties in Amsterdam. Strong locations in the cities of Utrecht, Rotterdam and The Hague are changing hands at an average yield level of 4.75% to 5.75%, historically low yield levels. While the sheer volume would suggest otherwise, investors remain well aware of the office market risks, resulting in a further widening of the yield gap between prime and secondary properties.

Market opportunities and risks

Bouwinvest expects mixed-use, easily accessible, metropolitan office locations to continue to flourish in the coming period. Especially as a substantial part of office market growth will stem from the fast-growing IT sector, which generally aims for high-quality urban office locations.

The vacancy in these areas is expected to remain low, ensuring an upward pressure on rents and thus a strong attraction for (international) investors. As a result, initial yields at these locations will remain sharp, barring economic and political uncertainties. Some secondary locations within major cities are also showing growth potential, provided public transport accessibility is good and additional functions are added, including homes, shops, hotels and other facilities.

The office occupier market is undergoing substantial changes. Occupiers increasingly expect flexibility in rental periods, additional services, smart and healthy offices, hospitality and experience. This also influences the role of the investor.

Global tensions (for example in the field of trade), the imminent Brexit and the ECB's changed monetary policy (and potential rate hikes) are among the biggest risks for the economy, for employment and therefore for the office market, but less so on the prime sites in major Dutch cities.

The Fund’s strategy

The Office Fund has a clearly defined growth and optimisation strategy with a focus on the optimisation of its portfolio through targeted acquisitions and continuous enhancement of core standing assets.

The Fund’s strategy focuses on office properties that generate stable returns and will continue to do so in the future, taking into account the trends and development in the office market. In addition to this, the Fund’s strategy is focused on active asset management to optimise the portfolio and keep it as future-proof as possible. Based on the market trends and developments described above, the Fund’s strategy focuses on:

- Core regions (Amsterdam, Rotterdam, The Hague, Utrecht) that closely correlate with the urbanisation trend in the Netherlands and property in A locations. At least 80% of the Fund’s investment will be made in its defined core regions.
- Multifunctional locations, with a blend of culture, education, sport and work. Locations where a widely diverse group of people come together form a good basis for an inspiring working environment.
- Multi-tenant properties to reduce the volatility of revaluations and to increase the control of asset management risks.
- Enhancement of core properties by creating special building propositions with an increase in comfort and providing an attractive environment that is seen as an appealing (business) meeting place.
- Responsible Investment: continuing the improvement of the Fund’s sustainability performance.
- Maintaining and expanding our networks and close cooperation with tenants, property managers and other stakeholders to ensure our occupancy rate.

Diversification guidelines and investment restrictions

The Fund applies a defined set of diversification guidelines and investment restrictions in the execution of its strategy. The Fund will adhere to the following investment restrictions to focus on its core activity and to limit risks. The Fund expanded its diversification guidelines slightly in the Fund Plan 2019-2021.

Diversification guidelines	Current portfolio	Conclusion
≥ 80% of investments invested in the core regions	100.0% in core regions	Compliant
≥ 90% of investments invested in low or medium risk categories	100.0% in low and medium risk	Compliant
≥ 70% of investments invested in multi-tenant assets	80.8% multi tenant	Compliant
The total rental income of one tenant may not exceed 15% of the total potential rental income	There are no tenants exceeding 15% of the total potential rental income	Compliant
The total rental income of the five largest tenants may provide a maximum of 50% of the total potential rental income of the Fund	43.2% on investment property	Compliant
Investment restrictions		
< 15% invested in single investment property	There is one investment property exceeding 15%	Non compliant *
< 10% invested in non-core office properties	5.1**%** concerns non-core office properties (2 public parking assets)	Compliant
No investments that will have a material adverse effect on the Fund’s Diversification Guidelines.	There have been no investments in 2018 that have a material adverse effect on the Fund's diversification guidelines	Compliant
Restrictions on (re)development activities < 5% of the Fund's total investment portfolio value		
a. only Assets from the Fund's porfolio qualify for (re)development	In 2018 all (re)development activities were executed only for assets of the Fund's portfolio	Compliant
b. the activities are exclusively targeted at optimising the quality of the portfolio	All activities were targeted at optimising the quality of the Fund portfolio	Compliant
c. not allowed if it has a negative impact on the Fund’s Diversification Guidelines	There was no negative impact on the Fund's diversification guidelines	Compliant
d. signed commitments relating to at least 60% of the rental income of the Asset is required	Commitment > 60%	Compliant
e. (re)development is undertaken by and for the risk and account of Bouwinvest Office Development, a wholly owned subsidiary of the Fund	All (re)development activities are undertaken by and for the risk and account of Bouwinvest Office Development	Compliant
f. all financial risks in connection with the work to be conducted as part of the (re)development will be contractually excluded by Bouwinvest Office Development and transferred to external developers or contractors. Examples of such risks are: design and building risks and cost and planning risks	All financial risks in connection with the work to be conducted as part of the (re)development are contractually excluded by Bouwinvest Office Development and transferred to external developers or contractors	Compliant
g. zoning risks remain with the Fund, however starting the building activities in relation to a (re)development is conditional upon obtaining the relevant zoning permits	The building activities in relation to a (re)development were conditional upon obtaining the relevant zoning permits	Compliant

(*) The value (as if completed) of two other assets is >15% of the Fund. The shareholders decided to allow the acquisition of these buildings, so a deviation from this restriction is permitted. In addition, positive revaluations cannot prevent the value of a single asset rising to a level of >15% of the Fund's total portfolio.

Portfolio developments 2018 in perspective

Overview of Fund plans

	Plan 2018	Result 2018	Result 2017
Income return	2.3%	2.3%	2.9%
Capital growth	4.0%	9.2%	10.2%
Total Fund return	6.3%	11.5%	13.1%
Occupancy rate	86.5%	89.2%	86.3%
Investment	€ 144 million	€ 90 million	€ 35 million
Divestment	€ 100 million	€ 0 million	€ 0 million
Funding	€ 0 million	€ 0 million*	€ 145 million

* per 1/1/2019 new funding is acquired for € 223 million

Investments, divestments and redevelopments

The Fund made one acquisition in 2018 and invested in the redevelopment and optimisation of the quality of the Fund's assets. The size of the Fund's total portfolio increased to € 747 million in 2018 from € 596 million at year-end 2017. This growth was largely driven by investments in Hourglass, the redevelopments of Building 1931 and Building 1962 (all in Amsterdam), the acquisition of Central Park in Utrecht and by positive revaluations, driven by improved circumstances in the investment and occupier markets on the back of strong economic developments. All of these developments led to a further optimisation of the Fund's portfolio, both in terms of geographical spread, asset enhancements and occupancy rate.

Investments

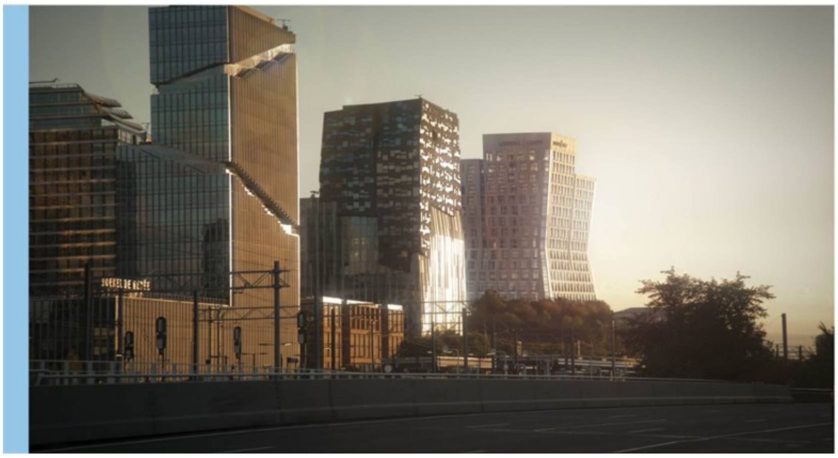
The plan for investments in 2018 was € 144 million. The investment plan consisted of cash out for development expenses for assets in the pipeline, which were acquired as turn-key assets from real estate developers, redevelopment expenses for assets that are being redeveloped through Office Development and property upgrades for several existing assets in the portfolio. Lower investments in 2018 (€ 90 million) compared to the plan are mainly a result of a late transfer deed for Central Park (Utrecht) and postponed execution of property upgrades for the Olympic Stadium Amsterdam and WTC Rotterdam.

Central Park
Utrecht,
The Netherlands

Central Park, Utrecht

The Fund acquired the new-build office building Central Park in October 2018. This 22-storey building will offer approximately 28,000 m² of office space and 500 m² for catering facilities, as well as parking for 370 cars. Central Park is located in the new Central Business District of Utrecht next to the city's Central Station and town hall. The name Central Park stems from the plan to include a two-floor park-like environment in the centre of the building for the communal use of the building's office tenants.

The Fund initiated full-scale leasing activities for Central Park in 2018 and this will continue into 2019. The Fund will cooperate with the seller/developer on this front, as they are in the lead. This is due to the fact that the definitive purchase price will very much depend on the results of the leasing activities. Given the current market conditions in Utrecht (vacancy is 1-3% in the area around the central station), the location and the sustainable nature of the building's design, the leasing outlook is positive. The delivery of this building is scheduled for Q2 2021.



Hourglass
Amsterdam South Axis,
The Netherlands

Hourglass, Amsterdam
Hourglass is largely pre-let to Dutch law firm Loyens & Loeff. They have leased around 15,500 m^2 of the total 21,949 m^2 of office space. Loyens & Loeff could still decide to lease all other available space. It is therefore possible that this will become a single-tenant asset. Should Loyens & Loeff decide against expansion, it is deemed extremely likely that the office space in this building will be leased to other tenants before completion. Delivery of this asset is still foreseen for Q4 2019.

WTC Rotterdam
Rotterdam,
The Netherlands

WTC Rotterdam
The WTC Rotterdam building has been enhanced on a number of fronts. These include the completion of the renovation of additional high rise office floors, the preparations for a future fitness training space and a project to upgrade the central entrance area. The latter capital expenditure consists of a change in lay-out for service desks and the upgrading of the lobby area, including a stylish coffee corner and the relocation of flexible working spaces from the third floor in the low-rise section to an accessible and inviting location adjacent to the main entrance of the building. The coffee shop – de Koffiesalon – opened in September in the partially renovated entrance hall, immediately next to the main entrance adjacent to the new Business Center, which opened its business rooms and flexible working spaces in late 2018.

Following the Dutch Cultural Heritage Agency's approval of the master plan for the listed section of the building, with more than 20 investment projects, the Fund will apply for building permits for each sub-project. This should in principle result in faster decision-making by the Rotterdam city council than the 26 weeks that can be applied legally due to the listed status of the building.

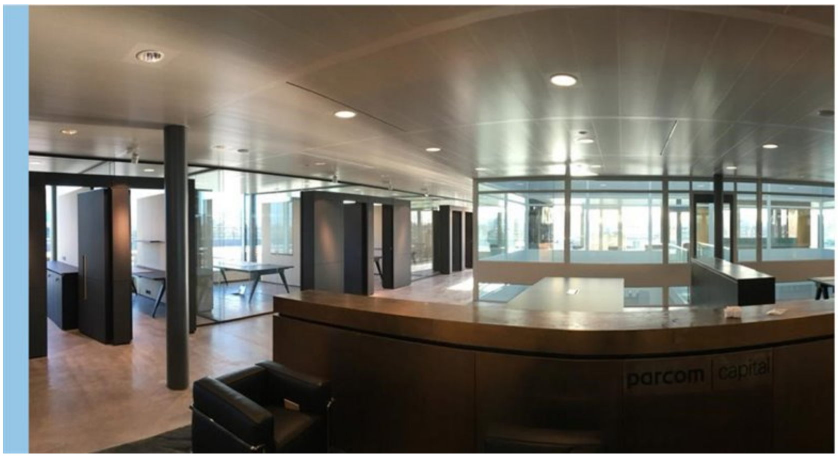
Over the next three years, the occupancy rate is expected to increase from 57% in 2019 to 71% in 2020 and 91% in 2021. The presumed leasing of the hotel section to a hotel operator will make a significant contribution to the increased occupancy in 2020. Although the recovery in the Rotterdam users market has so far lagged the recovery seen in the other three major office markets, the outlook is positive. High-quality office space is scarce, while rent levels are extremely affordable in relative terms. The planned investments, combined with the right marketing campaigns, will help create opportunities for new leases and increased occupancy.

WTC Rotterdam
Rotterdam,
The Netherlands

Olympic Stadium, Amsterdam

The most important upgrade projects for Olympic Stadium are the building of a climate installation for each unit and the replacement of the inner façade of the asset. This will both improve the comfort and energy efficiency for tenants. The execution of this project is running parallel to a relocation plan for several units. The relocation of Under Armour to Building 1962 is one important element in this. Due to the delay of completion of their new offices, the façade project for the Olympic Stadium was also delayed. A number of units have already been leased to new tenants and this will enable the Fund to carry out a far-reaching reorganisation of the offices. A new planning for completion of the façade project also depends on further technical studies into the concrete damage that was detected during the replacement of the first façade sections.

Redevelopments



Building 1931
and 1962
Amsterdam,
The Netherlands

Building 1931 and Building 1962, Amsterdam

In July of last year, Bouwinvest Office Development assumed control of the redevelopment of the two former Citroën buildings (Building 1931 and Building 1962) on the Stadionplein in Amsterdam. The Fund appointed a task force and drew up a new and realistic planning. Building 1962 was delivered in January 2019 and Building 1931 will be delivered in August 2019. Building 1962 is fully leased to Pon Holdings, which will use the building for its head office and as a showcase for its future mobility experience, under the name Move. The Fund devoted a great deal of time and effort to leasing activities for Building 1962 in 2018 and this will be leased to multiple tenants upon completion.

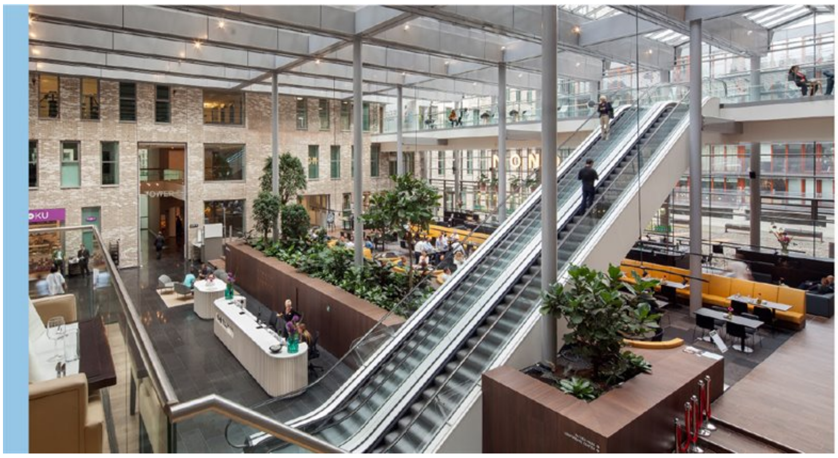
The permanent improvement of the entire area, which has been branded The Olympic Amsterdam, requires close cooperation between numerous stakeholders. The Fund took the initiative to meet with parties including real estate owners, users and the Amsterdam city council. This led to discussions on topics such as the lay-out and design of public spaces, the re-opening and branding of the assets and the site and the organisational structure of the area management. This resulted in the installation of a foundation to take charge of area management and a conceptual investment plan and budget in 2018.

Divestments

The plan for divestments of € 100 million was cancelled in the course of 2018. A divestment process was terminated, because holding the assets would no longer affect the risk profile of the Fund as much as it did in 2017, when the plan was set. The Fund made no divestments in the year under review.

Active asset management

Strong economic developments and various active asset management activities resulted in a large number of new and renewed leases, especially in Amsterdam and The Hague. The average occupancy rate in the Fund's portfolio in 2018 was 89.2% compared to 86.3% a year earlier. This will improve further upon the completion of the Funds new-build assets and the redevelopment and renovation of its other assets. Please find below brief explanations of the activities at a number of important assets from the portfolio.



WTC The Hague
The Hague,
The Netherlands

WTC The Hague

Following the completion of the single reception area in WTC The Hague, which now combines a whole range of services and facilities, leasing activity has picked up enormously. The upgrade boosted the dynamics in the building, creating a vibrant space that has inspired companies to hold their meetings and events in WTC The Hague. It has also been a major factor in the strong uptick in new lettings and lease renewals. And now that the user market in The Hague has improved, WTC The Hague is on the short list of most potential tenants. The occupancy rate for this building increased to 91.8% in 2018, compared with 82.5% in 2017.

CentreCourt
The Hague,
The Netherlands

Centre Court, The Hague

The extention of the lease with the Government Real Estate Agency for approximately 30,000 m^2 was the Fund's most substantial lease renewal and contributed significantly to both an increase of secured rent and the weighted average remaining lease term at portfolio level. In anticipation of the announced departure of publishing firm SDU Uitgevers, the Fund has organised viewings for several potential new tenants. The outlook for new leases is positive, as the supply of available office space is falling steadily in The Hague in general and the high-grade

Beatrixkwartier in particular, while the demand is only increasing. SDU Uitgevers was one of the first tenants in this building. They moved into their current space immediately after the building was delivered in 2002. This means we will have to renovate before we can lease this space.

In addition to attracting new tenants, we are also devoting a great deal of time and attention to increasing the satisfaction of existing tenants. Tenants and users acting as ambassadors for a building provide the best references and are in the best position to convince potential new tenants. This means it is vital that users feel as if they belong to a community in a building. In 2018, we started supporting this via a mobile app, which we will develop into a service platform that includes functionalities for user-friendly access to various services and facilities, such as reserving and paying for meetings rooms, a parking space or a spot of lunch.

New technologies and innovations are emerging at a breakneck pace, many paving the way to a more sustainable future, but also creating a new dilemma. What new technologies will prove successful in the long run, or which start-ups will evolve successfully into fully-fledged businesses? Because many start-ups disappear almost as quickly as they appear announcing their arrival as the next big thing. What is certain right now is that new technologies and innovative products will pave the way to greater sustainability. The question remains, which ones?

With this in mind, Bouwinvest keeps a very close eye on innovative trends and developments, and is constantly on the look-out for innovations that can help us achieve the Fund’s main (sustainability) goals. And for new partnerships with innovative start-ups that we believe will help us to achieve our long-term sustainability goals. Following pilots in 2017, we added several new services and projects in which we see added value for our tenants and other stakeholders, some of which are described elsewhere in this annual report.

Portfolio diversification

Portfolio composition at year-end 2018:

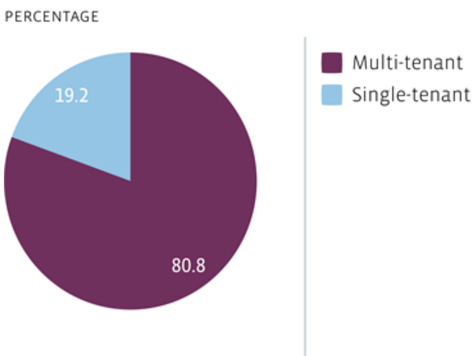
- Total portfolio of € 747 million (18 properties, 264,370 m²)
- Two office redevelopment projects (two properties, 20,034 m²)
- Two office development projects (two properties, approx. 50,422 m²)

Type of property

Multiple lease agreements reduce the volatility of revaluations and help increase the control of asset management risks. Furthermore, the Fund focuses on locations that attract a widely diverse group of people and offer a mix of culture, education, sport and work facilities.

The share of multi-tenant assets in the portfolio declined to 80.0% in 2018 (2017: 95.1%), due in part to the reclassification of Centre Court as a single-tenant asset as of 1 January 2018. This is still in line with the diversification guideline of > 70% multi-tenant assets of the total portfolio. The composition will change in 2019, following the addition of Building 1931 (single tenant) and Building 1962 (multi-tenant). Hourglass in Amsterdam may also become a single-tenant asset, if Dutch law firm Loyens & Loeff decides to take up the remaining available space.

Allocation of investment property by single vs. multi-tenant based on market value



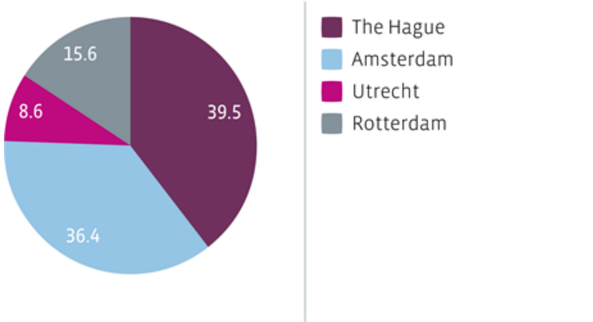
Core regions

At year-end 2018, 100% of the Fund's assets were located in the four core regions: Amsterdam, Rotterdam, The Hague and Utrecht.

Both the Hourglass project in Amsterdam, once completed, and the redevelopment of Building 1931 and Building 1962 in Amsterdam will improve the Fund’s portfolio diversification, reducing the share of the portfolio accounted for by The Hague in particular, and increasing the proportion of assets in the Dutch capital. Once Central Park is completed in 2021, the Fund’s portfolio will be close to the targeted composition of 40% in Amsterdam and 20% in Rotterdam, The Hague and Utrecht.

Allocation of investment property by core region based on market value

PERCENTAGE



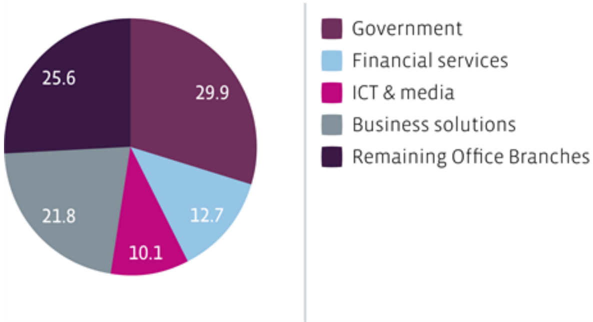
Tenant mix

Most of the Fund's tenants are considered to have a low debtor's risk. The top five tenants accounted for a total of 43.2% of the passing rent in 2018 (2017: 49.7%), which is in line with the Fund's diversification guideline that the total rental income of the five largest tenants may provide a maximum of 50% of the total potential rental income of the Fund.

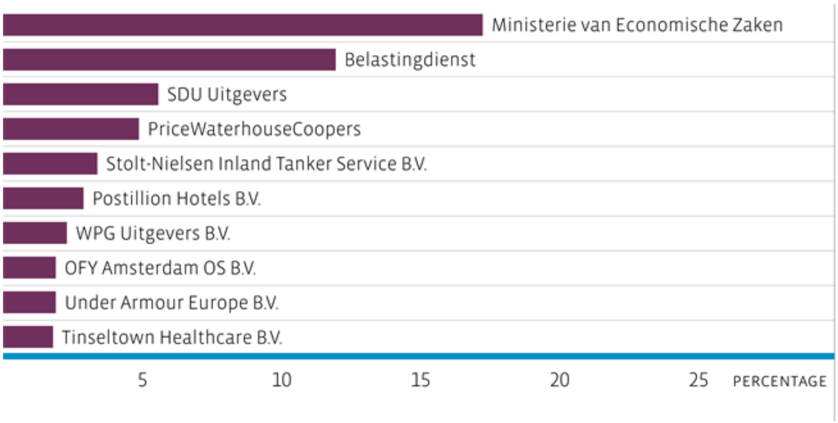
The Fund negotiated leases with a number of new and existing tenants in 2018, closing leases for 68,305 m^2 of office space and annual rent of € 14.4 million. We maintain close relationships with all our tenants to ensure we can respond promptly to their evolving office requirements.

Allocation of investment property by tenant sector as a percentage of rental income

PERCENTAGE



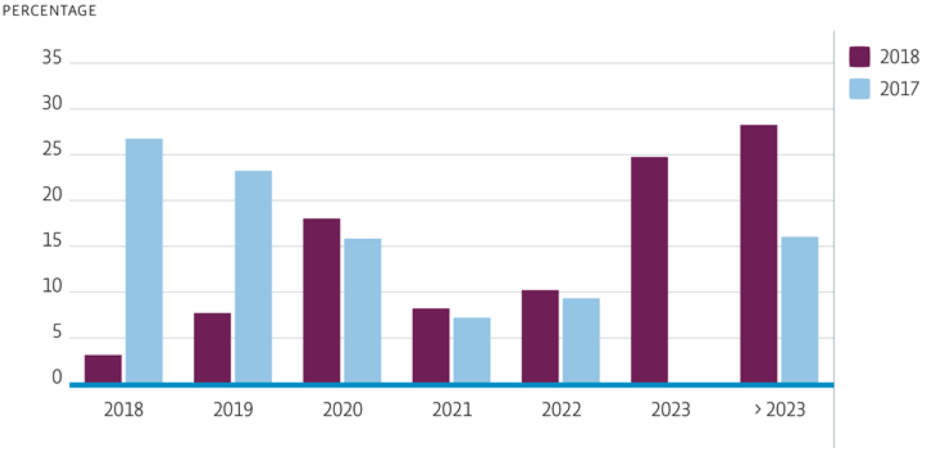
Top 10 major tenants based on theoretical rent



Expiry dates

Close relationships with tenants enable the Fund to propose lease extensions at the right time. However, lease endings are taken into account and the Fund anticipates this to attract new tenants. As per 31 December 2018, the weighted average remaining lease term of the Fund stood at 4.1 years.

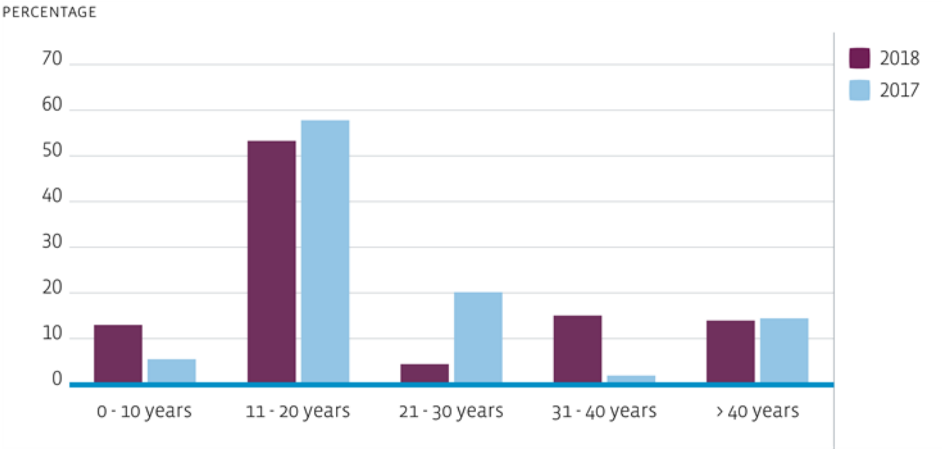
Expiry dates as a percentage of rental income



Age

More important than age is the asset's distinctive character, its location and return prognosis. Some assets have a listed status based on their rich history and architecture. The age of these assets increases the average age of the portfolio. However, the new-build, mixed-use Hourglass building in Amsterdam will reduce the average age of the portfolio from 2019 onwards, while the new-build Central Park project in Utrecht will reduce the average age of the portfolio even further from 2021 onwards.

Allocation of investment property by age based on market value

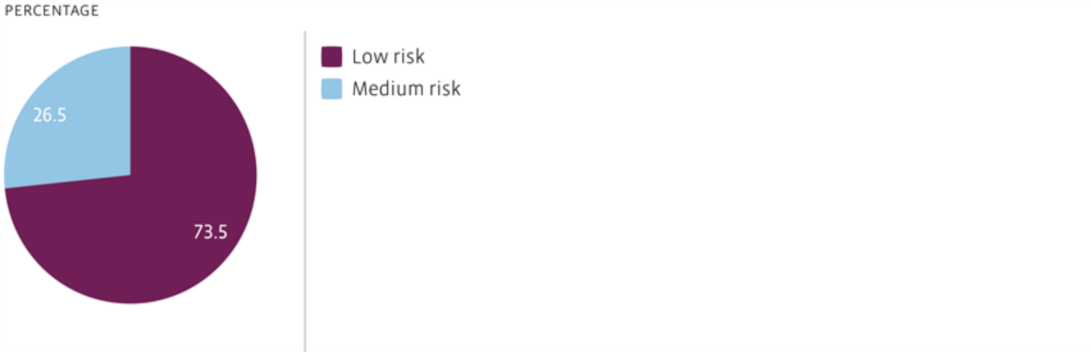


Allocation by risk

In terms of risk diversification, at least 90% of the investments must be low or medium risk. The actual risk allocation at year-end 2018 is shown in the figure below. Every year, we assess all properties separately. In 2018, the Fund was classified as 100% low to medium risk and as such was consistent with the framework of the Fund conditions.

Future investments related to WTC Rotterdam, Building 1931, Building 1962, Hourglass in Amsterdam and Central park in Utrecht will lower the risk profile of the Fund even further once they are added to the portfolio.

Allocation of investment property by risk category based on market value

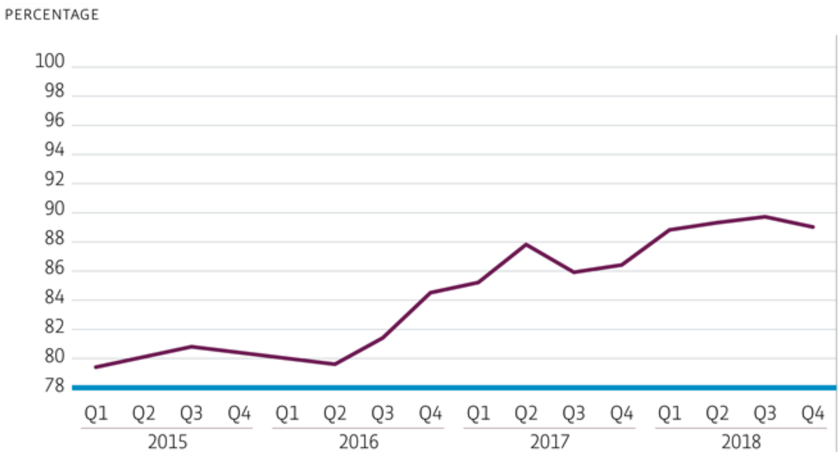


Financial occupancy

In 2018, the occupancy rate increased to 89.2% from 86.3% at portfolio level. New lettings for WTC The Hague made a particularly strong contribution to this increase.

The Fund is devoting a great deal of time and energy to online lead generation. Potential tenants are increasingly turning to the internet as their (first) search engine for office space. On the basis of a number of customer journeys we mapped out for various target groups in 2017, last year we invested in the optimisation of the online presence of our buildings and the targeting of virtual visitors via the continued development of websites using Search Engine Optimisation (SEO), Marketing Automation and a CRM system.

Financial occupancy rate



Financial performance in 2018

Total return

The Fund realised a total return of 11.5% (plan: 6.3%; 2017: 13.1%), consisting of a 2.3% income return (plan: 2.3%; 2017: 2.9%) and a 9.2% capital growth (plan: 4.0%; 2017: 10.2%). The total return in euros increased to € 76.0 million in 2018, from € 71.7 million in 2017 (plan: € 46.6 million). This increase was due to higher valuation movements partly offset by additional costs incurred on a redevelopment project.

The Fund's invested capital increased to € 771 million from € 631 million in 2017, an increase of € 140 million as a result of capital calls (€ 80 million), the addition of the net profit over 2018 to the equity (€ 76 million) and the payments of (interim) dividend to shareholders (€ -16 million).

Income return

The Fund realised an income return of 2.3% in 2018, equal to plan (2.3%) and 0.6% less than in 2017 (2.9%). The income return is the balance of increased net rental income from assets and increased fund and finance costs.

Higher occupancy rates in 2018 (89.2%) relative to both plan (86.5%) and 2017 (86.3%) led to an increased total rental income of € 43.3 million in 2018, € 1.5 million above plan and € 0.1 million higher than in 2017. The property operating expenses of € 24.2 million were € 1.8 million higher than planned in 2018, while this is € 0.3 million lower compared to 2017. This resulted in € 19.1 million net rental income for 2018, which was 1.2 million lower than the plan of € 20.3 million and € 0.4 million higher than in 2017 (€ 18.7 million).

In 2018, administrative costs were € 0.1 million higher than planned due to additional consultancy fees related to pending legislation. Compared with 2017, these expenses were € 0.8 million higher, mainly due to the higher management fee expenses as a result of higher invested capital.

No new assets were put into operation in 2018 while the Fund called up € 80.0 million for investments in new-build and redevelopment projects. The higher invested capital combined with the stable income resulted in a 0.6% decline in income return to 2.3% from 2.9% in 2017.

Capital growth

The Fund realised a capital growth of 9.2% in 2018 compared with 4.0% in plan (2017: 10.2%).

The values of investment property generally shifted upwards in 2018, primarily a result of an improved office real estate investment market, with significant appreciations for Valina (Amsterdam), WTC The Hague (The Hague) and Centre Court (The Hague) as a result of new and renewed lease contracts.

Office Development

In 2018, Bouwinvest Development signed a settlement agreement with Lokhorst Bouw en Ontwikkeling, taking over the project development for the Olympics Amsterdam. Bouwinvest put together a task force and took over contracts with sub-contractors and suppliers. Assuming control over the redevelopment project put Bouwinvest in a better position to take timely decisions and improve the cooperation with sub-contractors. This enabled Bouwinvest to stick to the delivery schedule agreed upon with tenants and to avoid further delays. The additional costs involved in taking over the project management are estimated at € 18.0 million. In 2018, the Fund set aside a provision for this amount, which had a negative impact of 2.8% on the capital return.

Property performance

The total property return for 2018 came in at 13.3% (plan: 6.7%; 2017: 14.9%), consisting of a 3.0% direct property return (plan: 3.0%; 2017: 3.6%) and a 10.0% indirect property return (plan: 3.5%; 2017: 11.0%). The Fund fell 1.9% short of the MSCI Netherlands Property Index (all properties) in 2018. The underperformance was mainly attributable to redevelopment projects which have not yet generated rental income.

Forward funding related to new investments and a redevelopment project led to a 0.6% drop in the direct property return to 3.0% in 2018, from 3.6% in 2017.

The redevelopment project is scheduled to be commissioned in 2019, secured rent until 2021 (three-year horizon) at year-end 2018 was 81% of the gross rental income (year-end 2017: 55%) and in accordance with the market conditions, the like-for-like rent increased 2.0% (2017: -1.9%) giving the property performance a positive outlook.

The Fund return (INREV) and property return (MSCI) are different performance indicators. The Fund return is calculated according to the INREV Guidelines and puts net result as a percentage of the net asset value (INREV NAV) while according to the MSCI methodology the property return calculates the net rental income with valuation gain as a percentage of the value of the investment properties. INREV includes cash, management fee and administrative costs in the calculation of the income return (INREV). Furthermore, the amortisation of acquisition costs is treated differently by INREV and MSCI.

Capital Management

Leverage

In accordance with the Information Memorandum, the Fund will be financed solely with equity and will have no leverage. It may borrow a maximum of 3% of the balance sheet total for liquidity management purposes.

In 2018, the Office Fund was financed solely with equity and did not use any loan capital for liquidity management purposes.

Treasury management

For treasury management purposes, the Fund acted according to its treasury policy to manage its liquidity and financial risks in 2018. The main objectives of the treasury management activities are to secure shareholders' dividend pay-out and liquidity for redemptions, as well as managing the Fund's cash position.

At year-end 2018, the Fund had € 16.9 million in freely available cash. In 2018, the Fund's cash position declined by € 23.6 million, when compared to year-end 2017.

In 2018, the Fund paid € 16.2 million in dividend to its shareholders and made two capital calls for a total amount of € 80 million.

Interest rate and currency exposure

In 2018, the Fund was subject to negative interest rates for its bank balances. In order to minimise the interest costs on its bank balances the Fund used 30-day bank deposits in 2018.

The Fund had no external loans or borrowings, nor any foreign currency exposure in 2018. As a result, the Fund had no exposure to interest rate risks or currency exposure risks. The interest rate risk related to bank balances is limited for the Office Fund.

Dividend and dividend policy

The Bouwinvest Board of Directors proposes to pay a dividend of € 52.98 per share for 2018 (2017: € 59.81 per share), which corresponds to a pay-out ratio of 100% of the Fund's distributable income. It is proposed that the dividend be paid in cash, within the constraints imposed by the company's fiscal investment institution (FII) status. Of this total dividend, 86.8% was paid out in 2018, with the interim quarterly instalment paid out on 5 March 2019. The remainder of the distribution over 2018 will be paid out in a final instalment on 2 May 2019, following approval by the Annual General Meeting to be held on 24 April 2019.

Tax

The Fund qualifies as a fiscal investment institution (FII) under Dutch law and is as such subject to corporate tax at a rate of zero percent. Being an FII, the Fund is obliged by law to distribute one hundred percent of its distributable result annually.

The Fund met its obligations related to value added tax, transfer tax and other applicable taxes in their entirety in 2018.

Outlook

Occupier activity remains strong

Occupier activity in the office market remained strong in 2018, as economic growth and the positive outlook has made companies more inclined to relocate and/or invest in their office accommodation. This has resulted in a lack of supply in prime locations in the Netherlands, where rents are rising substantially, and is having a spill-over effect on the better situated secondary locations. The ongoing transformation of outdated office stock for other uses is supporting the overall trend of reducing supply and vacancy rates to substantially lower levels across the country.

Pressure on prime yields remains strong

Investor demand in 2018 was on a par with the record high volume of transacteions in 2017, a clear sign of the continuing interest of investors in this segment. As overall vacancy is declining and rents are on the rise in specific locations, we will see continued pressure on yields, especially in prime locations in the largest cities, but also in better situated secondary office locations.

Technology, hospitality, sustainability and flexibility are essential

Occupiers look for four key ingredients when choosing their offices, besides location. As companies tend to have an ever increasing flexible pool of employees and as more and more people are self-employed, the need for flexibility in office leases is gaining traction. Offices need to be inviting and inspire cooperation between people and departments. Innovative technology will increasingly be used to provide employees with a productive and healthy working environment, adaptable right down to individual level, and provide companies and employees with platforms for interaction. Finally, sustainability has become a given for occupiers, as well as investors. All of these trends will affect the role of the investor.

Political and economic uncertainty creating risk

Global tensions (for example in the field of trade), the upcoming Brexit and the ECB's changed monetary policy (and potential rate hikes) are among the biggest risks for the economy, for employment and thus the office market, but less so in the prime sites in the major cities.

Positive outlook for the Fund

Both the geographical spread in the composition of the portfolio and the quality of each individual asset puts the Fund in an excellent position to profit from current office market trends. The addition of Building 1931, Building 1962 and Hourglass to the portfolio in 2019 will constitute a major increase of the Fund’s invested capital in Amsterdam. And the acquisition of Central Park, scheduled for delivery in 2021, will also increase the share of the portfolio in Utrecht. This change in regional distribution is fully in line with the targeted spread of around 40% in Amsterdam and around 20% in each of the other G4 cities. The quality of the assets is marked by an extremely high level of distinctiveness, very accessible locations, solid tenants and high occupancy rates that are set to increase further in the years to come. This increase in occupancy will be due in part to the addition of fully let buildings to the portfolio, such as Building 1931, Building 1962 and Hourglass. The Fund also expects to close a number of new lease transactions, mainly for WTC Rotterdam and Central Park, which will run parallel to the investments made in these buildings.

Adding value through active asset management

In addition to acquisitions, the Fund will devote a great deal of attention in 2019 to improving its assets, with a strong focus on the use of technology and improving the sustainability of its office buildings. For instance, the Fund will use an Environmental Management System to step up the collection of data for reporting purposes, to improve the performance of technical installations and to support new business cases for investments. As part of its effort to improve services to tenants, the Fund is also planning to launch a portal, which will act as a central contact point for clients: a single location for information and for any questions (existing and potential) tenants may have. At the same time, this portal will also act as platform for interaction between tenants and to offer and reserve facilities and services, such as meeting rooms, parking spots or catered lunches. This tool will boost the digitalisation of documentation and processes and will improve efficiency, effectiveness and client focus via (automated) workflows. In 2019, the Fund will launch a new website for Central Park with a link to a new CRM system and other functionalities that will enable us to generate more and better online leads for new leasing transactions. As a final example of our active asset management approach, the Fund will be working on a number of projects related to the supply of sustainable energy, mobility and the circular economy.

Amsterdam, 20 March 2019

Bouwinvest Real Estate Investors B.V.

Dick van Hal, *Chief Executive Officer*
Arno van Geet, *Chief Financial and Risk Officer*
Allard van Spaandonk, *Chief Investment Officer Dutch Investments*
Stephen Tross, *Chief Investment Officer International Investments*

Multi-tenant

Amsterdam
the Netherlands
Hourglass

Responsible investing

Introduction, ambition and strategy

We believe Responsible Investment is about all employees and affiliated organisations taking the initiative to help improve the environment and society. The built environment consumes around 40% of the world's energy and accounts for up to 30% of the world's annual GHG emissions. Additionally, the building industry is a large user of raw materials. As a global real estate investor, we feel it is part of our responsibility to help find solutions. To contribute to a CO_2-neutral, sustainable, circular, resilient and healthy living environment, and to enhance stakeholder value by investing in sustainable real estate.

Long-term climate change ambition: near 'energy neutral' portfolio before 2045

The Fund endorses the area-focused approach proposed by the Dutch government. If one of our properties is located in a pilot district/neighbourhood for climate agreement-related initiatives, we will cooperate as much as we can. In the period 2019-2021, the Fund will draw up a 'Paris-proof' roadmap 2030/2050 to determine how we will use smart methods to make the entire portfolio near energy neutral before 2045 (maximum 50kWh/m^2 GLA). The basic premise of this initiative is that any improvements are affordable, fit into our maintenance cycle and are aligned with the area-focused approach of the municipal authority in question. Whenever any gas-powered installations are replaced in the coming years, we will expressly weigh the feasibility of replacing these with (nearly) natural gas-free installations.

In addition to this, we continue to make an active contribution to the concrete measures aimed at realising the climate agreement and regional plans via various channels (including the Dutch Association of Institutional Property Investors, IVBN, and the Dutch Green Building Council).

To make a start, we have formulated the following 'Paris-proof' objectives for the mid-term:

- 2021-2030: Year-on-year reduction of 5% in GHG emissions for the total portfolio (general and tenant consumption)
- 2030: Our portfolio has a weighted average energy label A (energy index <1.0)

Strategy: maintain GRESB 5-star rating

Our long-term strategy to keep the Fund highly sustainable and maintain its GRESB 5-star rating is based on three main pillars:

Continued improvement of the Fund's sustainability performance

Investing in sustainable real estate

Sustainable real estate funds and buildings help to alleviate climate change and provide broader social, economic, environmental and health benefits. We believe that by focusing on societal returns in the locality of our investments, they will keep their value in the future and that, in turn, will guarantee our long term financial performance.

Enhancing stakeholder value

From investor to tenant, shareholder to local and national government official, from suppliers to local operators and regulators to communities, Bouwinvest endeavours to have long-term alliances with our stakeholders because we believe collaboration is essential for future success. We encourage our partners to share our values as part of our commitment to good stewardship.

Being a responsible organisation

We recognise that dedicated and hard-working employees are crucial to ensuring we meet our goals and we do our best to create a pleasant and encouraging atmosphere at work. Our strict corporate governance, risk and control programmes guide our responsible business practises.

It is important to keep the Fund highly sustainable and make a positive contribution to the United Nations' Sustainable Development Goals (UN SDGs), which include Sustainable cities and communities (SDG 11), Affordable and clean energy (SDG 7) and decent work and economic growth (SDG 8). The Office Fund's goal is therefore to maintain its GRESB 5-star rating.

Summary of Responsible Investment

The Fund has targets in line with its Responsible Investment objectives and long-term climate ambitions. In 2018, the Fund made significant progress on its Responsible Investment objectives and targets, as shown in the table below. The 2018 results according to INREV sustainability guidelines are explained in the following sections. For more detailed information, please see the Responsible Investment performance indicators on page 107 of this annual report.

	Results responsible investment 2018
Continued improvement of the Fund's sustainability performance	We improved our GRESB score by 2 points (total 88 points) and retained the highest GRESB rating of 5 stars
Investing in sustainable real estate	98% of our investments and acquisitions have minimum BREEAM-NL in-use GOOD certificate.
	In 2018, we realised a 0.3% like-for-like increase of energy consumption. In 2018, we started with the installation of 224kWp of solar panels, which will be completed in Q1 2019. This resulted in 73% green label portfolio with an average energy index of 1.05.
Enhancing stakeholder value	Tenant satisfaction survey: 6.6
	All (100%) construction sites are registered under Considerate Constructors Scheme ('Bewuste Bouwer'). A signed Energy Performance Contract with Engie for WTC The Hague will support long-term improvement of energy efficiency. A sustainable procurement document we developed will enable us to improve the sustainable maintenance of assets.
Being a responsible organisation	Zero incidents and sanctions as a result of non-compliance

Continued improvement of the Fund's sustainability performance

At Bouwinvest, we believe that you cannot ensure long-term successful investments without taking the needs of society into account, as the two are inextricably linked. To make sure we are making the maximum effort to ensure healthy societal and financial returns, we monitor our investment and operational performance using the internationally accepted GRESB benchmark.

We believe an above-average sustainability rating, a GRESB 5-star rating, makes the Fund is highly sustainable and actively contributes to meeting the UN's Sustainable Development Goal 11: Sustainable cities and communities.

The Fund remained in the leading group of sustainable investment funds by retaining its GRESB 5-star rating, which puts the Fund among the 20% best-performing funds globally. The Fund improved its overall score by two points to a total of 88.

The Fund is currently investigating how to improve its score in the coming years to remain in the leading group. The measures we are looking at include automatically monitoring environmental data to gain more insight into the environmental footprint of the Fund's assets.

Target on continued improvement of the Fund's sustainability performance	
Annual improvement of overall GRESB score	Achieved. + 2 points (88/100), 5 out of 5 star rating.

Investing in sustainable real estate

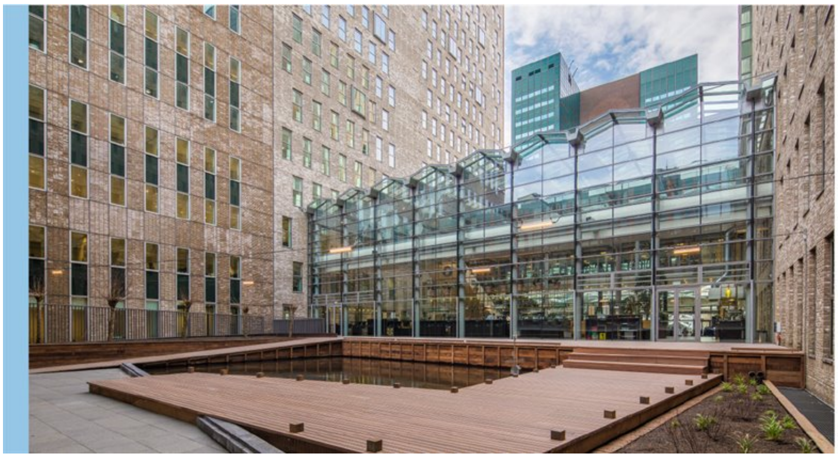
Our sustainable real estate strategy is built on two pillars: certified sustainable assets and the reduction of environmental impact. Sustainable real estate helps to combat climate change and generates broader social, economic, environmental and health benefits. We are convinced that our approach reduces risk, increases client returns and makes our real estate assets and portfolios more attractive.

Sustainable buildings

Sustainable building certificates enable us to show where we are in terms of sustainability at asset level and how far we still have to go. We use internationally accepted sustainability certificates to measure and assess the overall sustainability of our assets. Benchmarks help us to make informed business decisions aimed at mitigating environmental, social and governance risks and to enhance our long-term returns. Certificates such as BREEAM measure criteria that go beyond legislative requirements and provide us with instruments to encourage more responsible tenant behaviour, such as cutting waste and reducing energy consumption.

The Fund uses BREEAM to measure and assess the overall sustainability of its buildings. The BREEAM methodology covers a wide range of subjects; from energy to transport, from vegetation and materials to indoor climate quality. This makes it a very useful tool to implement sustainability at different levels within the Fund. The target for 2018 was to achieve a BREEAM 'GOOD' rating for every asset in the portfolio. In 2018, in close collaboration with our property managers, we executed a number of improvements to improve GOOD certificates to VERY GOOD at the re-certification in 2019. The high rise section of WTC Rotterdam improved from GOOD to VERY GOOD due to the replacement of a new energy-efficient air handling installation. The figure below shows all the certificates obtained per asset.

Pipeline projects, Hourglass (Amsterdam) and Central Park (Utrecht), which are currently under development, will both receive a BREEAM-NL Excellent certificate upon delivery.



WTC The Hague
The Hague,
The Netherlands

Sustainable building certificates
BREEAM scores (% of lettable floor space)

Targets on sustainable buildings & Investments	
All standing investments minimum BREEAM-NL in-use VERY GOOD by the end of 2020	On track. 55.1% certified minimum VERY GOOD. (2017: 55,1%)
Acquisitions and major renovations/ redevelopments minimum BREEAM-NL VERY GOOD	On track. Aquisitions of development projects Hourglass (Amsterdam) and Central Park (Utrecht) inlude a BREEAM NL EXCELLENT certificate. Redevelopment projects Building 1931 and Building 1962 (Amsterdam) will receive BREEAM-NL GOOD certificates as of delivery in 2019, after which we will aimed for a BREEAM-NL In-Use VERY GOOD certificate through (necessary and agreed) close cooperation with tenants.

The Fund redefined these targets in the Fund Plan 2019-2021 in such a way that we are now aiming for 100% certified assets with BREEAM-NL In-Use GOOD labels at Building Management level by the end of 2021, while we have so far focused solely on certification at asset level.

Reduction of environmental impact
We are committed to making environmental stewardship an integral part of our daily operations and strive to reduce both our direct and indirect environmental footprint. Energy consumption accounts for a large proportion of a building's environmental footprint. Data measurement and consistent reporting via certification schemes help us to improve our buildings' energy efficiency and reduce the associated costs, in cooperation with our tenants. We have adopted maintenance strategies that include modern, energy-efficient heating, cooling and lighting systems.

Energy efficiency is the most cost-effective way for the Fund to reduce carbon emissions, but we also encourage the use of renewable energy sources. We buy certified green electricity and are boosting alternative energy use.

The Office Fund's sustainability strategy is focused on reducing the environmental impact of the office assets in its portfolio. It does this by exerting a direct influence on the larger (public) areas of the buildings or complexes, and by investing in improvements that benefit existing and potential tenants. The Fund actively cooperates with existing tenants and potential tenants on initiatives to optimise comfort and energy efficiency. We also work closely with external property managers to provide comfortable, safe and convenient office and public spaces in assets.

Sustainability improvements
In 2018, the Fund initiated (and executed) several projects aimed at improving the sustainability of the Fund and reducing the environmental impact of its assets. These included the development of a new geothermal heating

and cooling storage system (WKO) for Centre Court (The Hague) and the installation of new solar panels for Maasparc (Rotterdam), WTC Rotterdam and Centre Court (The Hague).

One of the biggest dilemmas the Fund shares with other real estate investors on the sustainability front is deciding how to invest, how much to invest and what technologies or innovations to invest in to create the most sustainable portfolio possible, both in terms of positive environmental and social impact and in terms of sustainable long-term returns on our investments. This dilemma, which translates into a constant stream of choices and decisions, informs virtually everything we do to make the Fund and the office portfolio more sustainable. Every decision related to investments in energy-saving, GHG emissions reduction or positive social impact has to be balanced against our primary goal, which is to generate healthy long-term returns for our shareholders and their stakeholders. We want the Fund and our assets to be as sustainable as they can be, but how much we can invest is always limited by the potential impact on returns.

On top of this is the question of how to invest, which can be about finding the best ways to reduce our environmental impact or having a positive commercial or social impact both effectively and cost-efficiently. For instance, should we install solar panels or link up our office assets to energy-efficient thermal energy storage systems for heating and cooling? And when is either or both of these measures even feasible for some assets? And they are not, what are the alternatives? And how quickly should we execute the phased introduction of LED lighting systems in our buildings? During renovations, or as separate projects? How many of our building can we fit with a green roof or where can we introduce green communal areas? This in turn raises the question of whether our office tenants will be willing to co-invest in the form of slightly higher rents in exchange for lower energy bills. Or other forms of co-investment? Another question is what is the best way to work with developers to maximise the sustainability of our new-build projects? Or with construction firms when we upgrade existing office assets? We firmly believe that cooperation with our stakeholders will be the key to our success on this front.

Monitoring performance

The single biggest challenge to enhanced energy efficiency, improved indoor air quality and the streamlined management of buildings is how to analyse and use building big data effectively. Our environmental data management system combines extensive industry expertise with state-of-the-art building analytics software to create smarter buildings. The platform combines different data streams in one online portal, which provides a picture of the entire footprint related to energy, water and waste. In 2018, the Fund completed the implementation for the whole portfolio. This Environmental Data Management System will also provide significant input for the 2019 GRESB survey.

Monitoring environmental performance data (energy and water consumption, greenhouse gas emissions and waste) is an important part of managing sustainability issues. The Fund tracks and aims to improve the environmental performance of its managed real estate assets: those properties for which the Fund is responsible for purchasing and managing energy consumption. The Fund reports on energy consumption (electricity, heating and gas: the energy components) for multi-tenant assets, which translates to greenhouse gas emissions.

The Fund has set clear targets for the reduction of its environmental impact in the period 2018-2020:

- Renewable energy: increase percentage of renewable energy
- Energy: average annual reduction 2%
- GHG emissions: average annual reduction 2%
- Water: average annual reduction 2%
- Waste: Increase recycling percentage

Renewable energy production

In 2018, we initiated the development of a new geothermal heating and cooling system for Centre Court (The Hague). Realisation and completion is planned for Q3 2019. This system will help reduce CO_2 by cutting the use of central district heating. For WTC Rotterdam, Centre Court (The Hague) and Maasparc (Rotterdam), we commissioned the installation of solar panels and expect this to be completed in Q1 2019.

Energy consumption and GHG emissions

In 2018, the Fund's energy consumption rose with 0.3% (2017: 1.1%) on a like-for-like basis.

Water consumption

We take a strategic approach to water management because this enhances the efficiency, resilience and long-term value of our investments. The Fund is committed to reducing water consumption, reusing water and preventing water pollution and flooding.

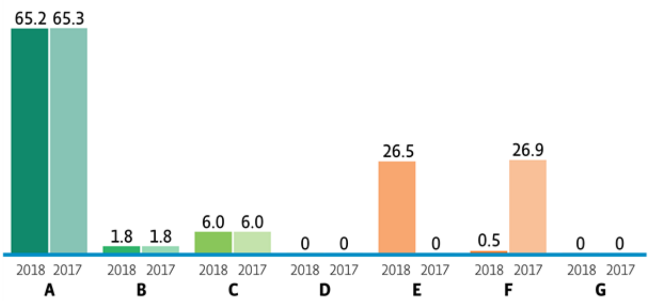
The Fund has been actively tracking water consumption in multi-tenant assets since 2012. Data is provided by the property manager and is based on invoices and manual visual readings. Renovations always include the installation of water-efficient sanitary installations.

We have implemented a measure to prevent flooding at WTC The Hague. The courtyard adjacent to the central entrance area, which is also the roof of the parking garage, has been designed as a 'Polderdak'. Numerous boxes on the roof function as water storage: they hold rainwater in a such a way that it reduces pressure on the drainage system. After heavy rainfall, the water can still be released through the drainage system or the water may simply vaporise.

Waste

The Fund aims to manage waste at its properties responsibly. We encourage our tenants to minimise and recycle waste. We provide recycling bins and encourage the reuse of plastics, metal and other materials. We are also studying the opportunities offered by circular economy developments. The Fund tracked waste management for its entire managed real estate portfolio in 2018. The focus is on those assets for which the Fund is responsible and can influence the waste handling on-site and generally involves multi-tenant office assets. No waste is sent directly to landfill.

Investment property by labelled floor space (m^2) in %



Green portfolio

Another target related to the Fund's sustainability at asset level is to achieve a 100% green portfolio (EPC label A, B or C) in 2018 (excluding listed buildings). The distribution of energy labels in the portfolio is shown below. Investment properties under construction, in this case Building 1931,Building 1962,Hourglass (all in Amsterdam) and Central Park (Utrecht) are excluded from this overview. The Fund expects these to receive an energy label A upon their delivery in 2019 and2020 respectively. The energy label E relates to WTC Rotterdam. Improving the energy efficiency of this asset is more difficult than for other assets due to the listed status of a part of the building. The Fund is currently drawing up a tailor-made improvement plan for this asset. We obtained energy label A for the high-rise section. In 2019, we will start with the renovation of the façade for the listed low-rise section and we expect to obtain an energy label B after completion, which is foreseen for 2020.

Targets on reduction of environmental impact	
Doubling energy generated on location in 2020 compared to 2016 (182 kWp)	On track. At the end of 2018, 224 kWp
Reduce average annual environmental impact with 2% per year	Energy 0.3% increase
	GHG emissions 0.7% increase
	Water - 7.0%
	Waste + 17.2%
100% green portfolio (A, B, C energy labels) in 2018	73%

The Fund redefined these targets in the Fund Plan 2019-2021 in such a way that we are now aiming to receive Energy label A for at least 75% of the portfolio (energy-index <1.2). The target for energy reduction is now 5% per year to put the target in line with (international) climate goals (reduction of 95% of CO_2 in 2050 compared to 1990). We also raised the target for renewable energy generated on-site via solar panels to 750 KWp by the end of 2021.

Enhancing stakeholder value

Bouwinvest endeavours to optimise long term alliances with our stakeholders. We have put methods and means in place to understand, meet and respond to our stakeholders needs and to take to heart the issues that our stakeholders find important. In addition to this, we take an active approach to raising environmental, social and governance awareness throughout the real estate industry.

Engaging with stakeholders

At Bouwinvest we believe that the best way to engage our stakeholders is through open and transparent dialogue and positive collaboration that cements long-term returns on investment and creates more impact.

Based on the results of the tenants satisfaction survey conducted in 2018, our property managers have drawn up action plans with a number of specific priorities. We have communicated with our tenants regarding the outcome of the tenant satisfaction survey via tenants meetings, newsletters and personal contacts with the facility managers and/or board members of our tenants.

The Office Fund conducts an annual tenant satisfaction survey, which provides insight into the satisfaction of tenants and highlights potential improvements. The overall score was 6.6 in 2018 (2017: 6.8) and the participation rate was 63% (2017: 38%). The survey was sent to 203 tenants in total and 127 of these completed the questionnaire in full (2017: 74 out of 204). The respons would be 87% weighted to rental income (2017: 59%).

The sharp increase of the response rate is due to a very active approach from our property managers in providing tenants with nay help they may need to participate in the survey. Despite the higher tenant engagement, the overall satisfaction score was lower than in 2017. Scores per asset vary, of course, but some assets deviate significantly from others. One large tenant in WTC The Hague had a partularly marked impact on both the score for this asset and the average score at portfolio level, because the result is calculated pro rata according to the weighting of the annual rent per tenant. The average portfolio score would be 6.9 if we were to adjust the results for this black spot. A lower average portfolio score is also due to a lower score for the Olympic Stadium (Amsterdam). Tenants of this asset have suffered from delays in property upgrade projects, while these are aimed at improving their comfort. We expect a rise in this asset's satisfaction score after completion in 2019.

As is the case every year, the climate in office units is one of the most important elements in terms of tenant satisfaction. Improving of this type of comfort is always an integral part of planned maintenance and other projects to enhance assets. However, the Fund is increasingly faced with the dilemma of having to make a choice between comfort and energy efficiency as it strives to achieve targets to improve both tenant satisfaction and the sustainability of its asset. Answers to open questions were once again very interesting and gives us an excellent starting point for a personal approach to a number of tenants. We will again work with our property managers to come up with an action plan to improve results.

To focus on the performance of climate installations and energy efficiency, the Fund concluded an Energy Performance Contract with Engie. This new form of collaboration between various stakeholders was introduced for WTC The Hague and aims to improve the energy efficiency and indoor climate for the building's tenants.

In addition to this, a sustainable procurement document we have developed will enable us to improve sustainable maintenance of our assets.

Target on engage with stakeholders	
Tenant satisfaction survey to score higher than 7	6.6

Sustainable stewardship
We take an active approach to raising environmental, social and governance awareness throughout the real estate industry. We encourage our partners to enhance their sustainability performance. We focus on: health & safety at construction sites, active participation (memberships) in industry associations and community programmes. To further improve the climate for real estate investments, we are an active member of boards and committees of sector, industry and cross-disciplinary networks such as Neprom, IVBN, Holland Metropole, DGBC, INREV and ULI.

All the construction sites related to assets in the Office Fund are registered under the Dutch Considerate Constructors Scheme (Bewuste Bouwer). This ensures the contractor deals with the concerns of local residents and addresses safety and environmental issues during the contruction phase. These include Building 1962, Building 1931 and Hourglass, all of which are located in Amsterdam. Central Park (Utrecht), the construction of which scheduled to start in early 2019, was recently registered under the scheme. Thanks to this initiative, the Fund is making a significant contribution to stewardship on the execution side of the construction industry.

Together with the DGBC, we are participating in the Deltaplan Sustainable Renovation Offices working group, in which we are working with other industry players and industry associations (including the IVBN) to create a roadmap of the steps that need to be taken to make sure the office buildings in the Netherlands meet the requirements of the Paris climate agreement.

The Fund's involvement in social and sustainability initiatives sometimes goes beyond asset level. For instance, in the area around the Olympic Stadium – The Olympic Amsterdam – the Fund initiated the setting up of a Business Investment Zone (Bedrijven Investeringszone - BIZ) foundation. A survey into potential support for this initiative conducted in early 2018 led to the set-up of this foundation, which involves cooperation from local businesses and property owners.

Target on sustainable stewardship	
In 2020, 75% of construction sites (€) registered under Considerate Constructors Scheme ('Bewuste Bouwer')	On track. All projects under construction (Central Park, Hourglass, Building 1931 and Building 1962, all in Amsterdam) are registered.

Being a responsible organisation

We believe that integrity, honesty and corporate responsibility are essential to ensuring we do our job properly and will, in turn, enable us to optimise returns for our clients. We are committed to upholding the highest ethical standards and compliance stewardship in all our business dealings and we avoid conflicting interests. To ensure accountability and transparency, we set tergets, based on international sustainability standards, which allow us to monitor our progress.

in 2018, we devoted particular focus to making rental contracts 'green' and making our procurement more sustainable.

Green rental contracts
For instance, the Fund encourages its tenants to be more sustainable by including standard green lease clauses in its lease contracts that embed the intended cooperation of the Fund and the tenants in its assets to improve sustainability. The Fund prefers to supplement these addenda with concrete agreements, such as access to data on energy use and parameters on joint investments in energy-saving measures. Despite a certain level of reluctance on the part of tenants, the Fund is managing to increase the number of so-called green leases it closes.

We have signed 21 green lease agreements with tenants that include clauses related to cooperation on improving sustainability (total amount of leases is 221). And together with our external property manager, we drew up a new standard for green lease agreements, which we will implement in 2019 as a standard appendix to every new lease. This will include clauses related to collective sustainability and efficiency goals for both landlord and tenants, making any improvement of sustainability a joint effort.

Sustainable procurement and business partner selection

To promote and increase sustainable procurement, we have launched a project with IVBN and a number of fellow fund managers to engage and assess the Fund's suppliers using a sustainability web tool. Current and future suppliers will be assessed on their sustainable commitments, policies and behaviour.

Bouwinvest has Service Level Agreements with its property managers, who are assessed each quarter on topics related to administrative management, technical management (including sustainability), commercial management and tenant satisfaction.

For systematical maintenance and smaller renovations, we have drawn up a sustainable procurement schedule, which enables the property managers to make more sustainable choices when procuring from construction firms or other suppliers.

Target on enhance responsible business operations	
All new rental contracts include a sustainability clause	Achieved.
All property managers procure according to sustainability declarations suppliers (IVBN)	Work in progress.
Business partners selected on the basis of integrity	No issues.

We made these targets more measurable in the Fund Plan 2019-2021 by specifying the number of green leases and setting a target of at least 20% green leases in the portfolio by the end of 2021. We also realised the target related to the integrity of our business partners by recording zero incidents and sanctions as a result of non-compliance. One of the measures aimed at improving the tenant journey will result in a portal for all our tenants in 2021; this contains all the information relevant to tenants, including sustainability performance, query tracking and other services.

Assurance report of the independent auditor

To the shareholders of Bouwinvest Dutch Institutional Office Fund N.V.

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2018 of Bouwinvest Dutch Institutional Office Fund N.V. at Amsterdam. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year 2018 in accordance with the reporting criteria as included in the section 'reporting on performance indicators'.

The sustainability information consists of performance information in the section 'Highlights responsible investment 2018' part of chapter '2018 at a glance' on page 7 of the 2018 Annual Report.

Basis for our conclusion

We have performed our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports) which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of our report.

We are independent of Bouwinvest Dutch Institutional Office Fund N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. Bouwinvest Dutch Institutional Office Fund N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

Unreviewed corresponding information

No review has been performed on the sustainability information for the period up to 2018. Consequently, the corresponding sustainability information and thereto related disclosures for the period up to 2018 is not reviewed.

Limitations to the scope of our review

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

Responsibilities of the management board for the sustainability information

The management board is responsible for the preparation of the sustainability information in accordance with reporting criteria as included in the section 'reporting criteria' and the applied supplemental reporting criteria as disclosed on page 109 of the annual report, including the identification of stakeholders and the definition of material matters. The choices made by the management board regarding the scope of the sustainability information and the reporting policy are summarised in the section 'Reporting on performance indicators' on page 109.

The management board is also responsible for such internal control as the management board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our review included amongst others:

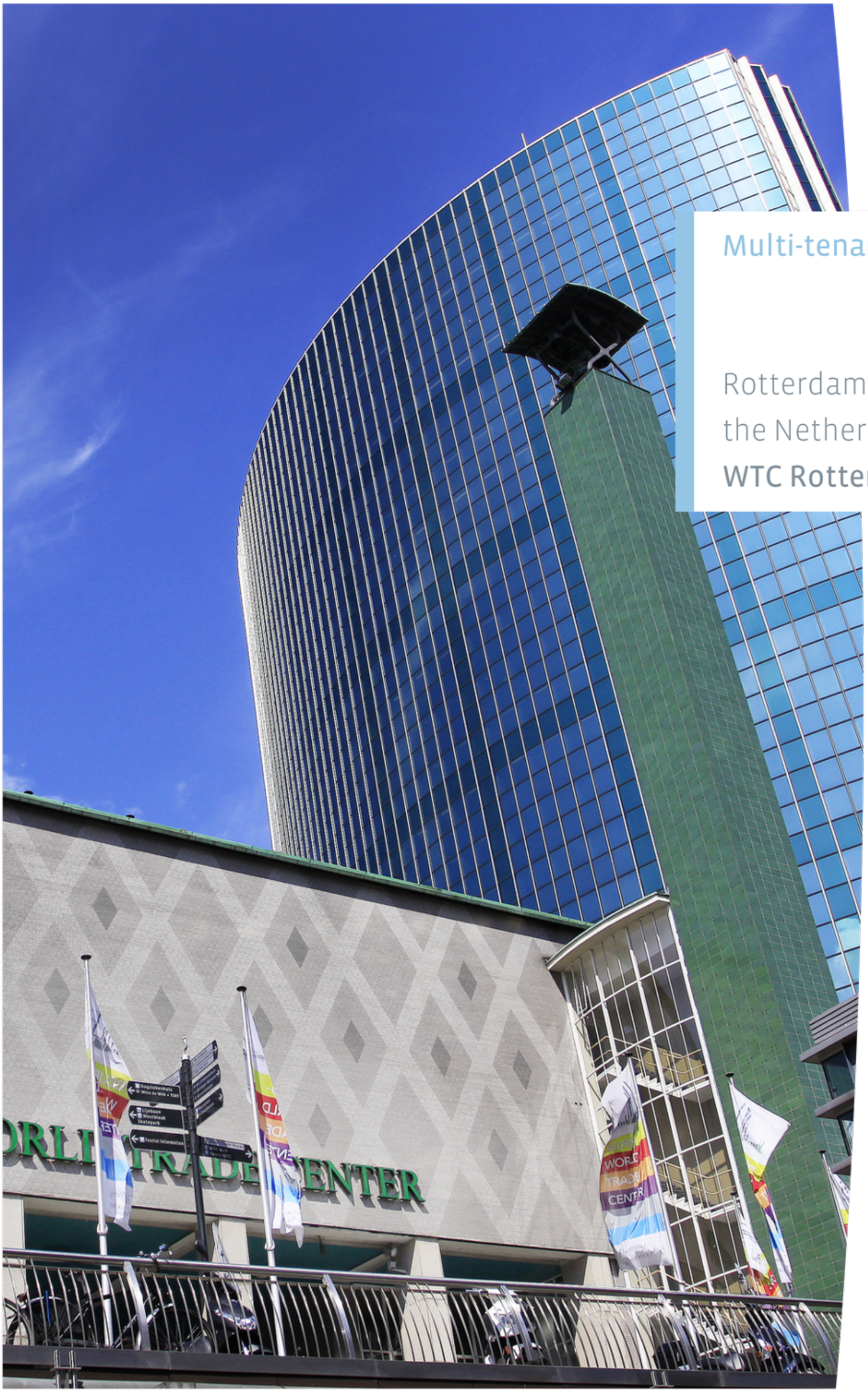
- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the management board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
    - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
    - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
    - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
    - Reviewing, on a limited test basis, relevant internal and external documentation;
    - Performing an analytical review of the data and trends
- Evaluating the presentation, structure and content of the sustainability information;
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the management board regarding, among other matters, the planned scope, timing and outcome of the review.

Amsterdam, March 20, 2019

Deloitte Accountants B.V.

Signed on the original: J. Holland



Multi-tenant

Rotterdam
the Netherlands
WTC Rotterdam

Corporate governance

Bouwinvest Dutch Institutional Office Fund N.V. (the “Fund”) was established in 2010. The Fund has a transparent governance structure, which ensures effective and efficient management, combined with proper checks and balances. The Fund’s governance structure consists of a General Meeting of Shareholders, a Shareholders’ Committee and a Board of Directors. Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (bpfBOUW), the pension fund for the construction industry, is the Fund’s anchor investor.

Fund governance

The Fund is governed in a robust framework with systems and processes to manage risks appropriately. Safeguarding the interests of its investors, integrity and transparency, the Fund fosters the following governance principles:

- The compliance function is independent
- Conflicts of interests are avoided and managed through compliance with Bouwinvest’s conflicts of interest policy
- Robust ‘checks and balances’ through an established framework with lines of defence
- Focus on process management: ISAE 3402 type II certified
- Compliant with AIFMD
- An independent depositary function has been installed

Rules and principles governing day-to-day business

- Best-in-class system for valuation of assets
- ‘Four-eyes-principle’ applied to all real estate investments
- Transparency and integrity integrated in daily business conduct
- Code of conduct
- Transparant and open shareholder communication

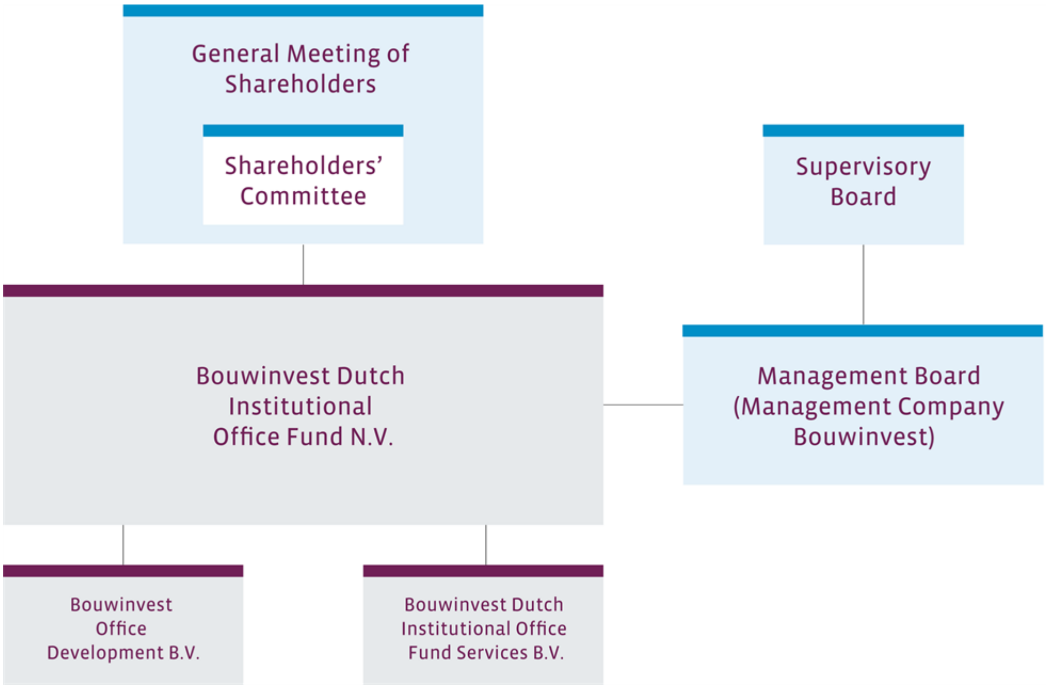
Structure of the Fund

The Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code, with its corporate seat in Amsterdam, the Netherlands. It is a fiscal investment institution (FII) within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969. Bouwinvest Real Estate Investors B.V. (“Bouwinvest”) is the Fund's Statutory Director and management company pursuant to the management agreement. The management company has a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act and is subject to supervision of the Dutch Financial Markets Authority (AFM).

Subsidiaries

The Fund has two taxable subsidiaries, Bouwinvest Dutch Institutional Office Fund Services B.V., which renders services that are ancillary to the Fund's rental activities, and Bouwinvest Office Development B.V., which pursues development activities that are ancillary to the Fund's investment portfolio. These activities are placed in these taxable subsidiaries to ensure the Fund’s compliance with the investment criteria of the FII regime.

Fund governance bodies



Shareholders' Committee

The Shareholders' Committee comprises a maximum of five shareholders: one representative from each of the four shareholders with the largest individual commitment and one member to represent the collective interests of all other shareholders. Each eligible shareholder shall appoint a member of the Shareholders' Committee for a period of one year, running from the annual general meeting.

Role of the Shareholders' Committee

The role of the Shareholders' Committee is to approve certain specified resolutions by the management company and to be consulted with regard to certain resolutions specified in the Terms and Conditions. The responsibility for proper performance of its duties is vested in the Shareholders' Committee collectively. In 2018, the Shareholders' Committee met once to discuss the Fund Plan.

General Meeting of Shareholders

Shareholders in the Office Fund must be professional institutional investors within the meaning of section 1:1 of the Dutch Financial Markets Supervision Act (FMSA). General Meetings of Shareholders are held at least once a year to discuss the annual report, adopt the financial statements and discharge the Statutory Director of the Fund for its management. Shareholder approval is required for the Fund Plan and for other resolutions pursuant to the Fund Documents.

Governance matrix

	General Meeting of Shareholders		Shareholders' Committee	
	Simple Majority vote (> 50%)	Double Majority vote	Approval rights	Consultation rights
Amendment of the strategy of the Fund		X		X
Liquidation, conversion, merger, demerger of the Fund		X		X
Dismissal and replacement of the Management Company		X		X
Amendment of the Management Fee of the Fund		X		X
Conflict of Interest on the basis of the Dutch Civil Code		X		X
Investments within the Hurdle Rate Bandwidth as specified in the Fund Plan			X	
Related Party Transaction			X	
Amendment or termination of the Fund Documents	X			X
Adoption of the Fund plan	X			X
Deviation from the valuation methodology of the Fund as set out in the Valuation Manual	X			X
Investments outside the Hurdle Rate Bandwidth as specified in the Fund Plan	X			X
Change of Control (of the Management Company)				X
Appointment, suspension and dismissal of managing directors of the Fund (with due observance to the rights mentioned under 3. here above).	X			X
Amendment to the Articles of Association of the Fund	X			
Adoption of the Accounts of the Fund	X			
Information rights on the basis of the Dutch Civil Code	X			
Authorising the management board to purchase own Shares	X			
Reducing the capital of the Fund	X			
Extending the five month term with regard to approval of the Accounts	X			
Providing the management board with the authority to amend the Articles of Association of the Fund	X			
Appointing a representative in the event of a Conflict of Interest	X			
Requesting to investigate the Accounts and the withdrawal thereof	X			
Approval of an Applicant Shareholder to become a Shareholder of the Fund	X			

The rights of the General Meeting of Shareholders and the Shareholders' Committee are shown in the governance matrix.

Anchor investor

As at this annual report's publication date, bpfBOUW held the majority of the shares in the Office Fund.

Management company

Bouwinvest is the alternative investment fund manager (AIF) of the Fund and as such is responsible for portfolio management and risk management. Bouwinvest, on behalf of the Fund, conducts the business activities related to the entire real estate investment process to achieve the Fund's investment objectives. Bouwinvest believes responsible business practices are a vital element in achieving the targeted return on investment. Bouwinvest is structured as a private limited liability company. bpfBOUW holds 100% of the shares in Bouwinvest.

Board of Directors

Bouwinvest's Board of Directors consists of the Chief Executive Officer, also Statutory Director, the Chief Finance & Risk Officer, the Chief Investment Officer Dutch Investments and the Chief Investment Officer International Investments. The Statutory Director is appointed by the Bouwinvest General Meeting of Shareholders following nomination by Bouwinvest's Supervisory Board. The Board of Directors is governed by Dutch law, as well as a set of regulations that also outline its tasks and responsibilities.

Supervisory Board

Bouwinvest has an independent Supervisory Board with a minimum of three and a maximum of five members. The Supervisory Board currently has four members. The maximum term of office is four years, with the possibility of reappointment for an additional four years. The role of the Supervisory Board is to supervise the policies of the Board of Directors and the general affairs of the company and its related business. The Supervisory Board is responsible for the quality of its own performance. The members of the Supervisory Board are appointed by the Bouwinvest General Meeting of Shareholders. In carrying out its duties, the Supervisory Board is guided by the interests of Bouwinvest and its related business.

Policies, rules and regulations

Corporate Governance Code

Although the Dutch Corporate Governance Code does not apply directly to Bouwinvest, as it is an unlisted company, the Board of Directors endorses the best practices of the Code as far as these are applicable to Bouwinvest and practical.

Code of Conduct

Bouwinvest has drawn up a Code of Conduct that applies to all its employees and which includes additional rules that specifically apply to the Board of Directors and Supervisory Board with respect to conflicts of interest and investments. The Code of Conduct deals with issues such as ethical behaviour, conflicts of interest, compliance with laws and (internal and external) regulations, CSR, health and safety, as well as our business partners. Bouwinvest has also instituted a whistleblower policy to deal with the reporting and investigation of potential or suspected unethical behaviour. All employees receive code of conduct training.

Conflicts of Interest policy

Bouwinvest has a Conflicts of Interest policy. The purpose of this policy is to ensure that no material conflicts of interest occur that are damaging for investors in the Fund, the Fund or Bouwinvest. The policy also describes how Bouwinvest should act with respect to the allocation of different investment opportunities over the respective funds and clients. The policy is intended to supplement but not replace any applicable Dutch laws governing conflicts of interest.

In 2018, there were, except related party transactions, no conflicts of interest as referred to in the Bouwinvest Conflicts of Interest Policy, neither between the members of the Board of Directors, the management company, the Fund and/or other funds managed by the management company.

Funds managed by Bouwinvest

Bouwinvest manages the following alternative investment funds:

- Bouwinvest Dutch Institutional Residential Fund N.V.
- Bouwinvest Dutch Institutional Retail Fund N.V.
- Bouwinvest Dutch Institutional Office Fund N.V.

Bouwinvest has separate mandates from bpfBOUW for the management of international real estate investments in Europe, North America and Asia Pacific, hotel properties through Bouwinvest Dutch Institutional Hotel Fund N.V. and health care properties through Bouwinvest Dutch Institutional Healthcare Fund N.V.

External auditor

The Fund's external auditor is Deloitte Accountants B.V. Deloitte audits the financial statements of the Fund. Deloitte also audits the financial statements of Bouwinvest and of the other funds managed by Bouwinvest.

Multi-tenant

Utrecht
the Netherlands
Nieuwe Vaart

Risk management

Risk management and compliance

The performance of the Fund is directly related to how Bouwinvest manages the risk inherent in the Fund to achieve its goal of stable long-term returns for its investors.

Bouwinvest is fully aware that it is investing on behalf of the investors in the Fund. It has therefore established a client-oriented organisation that creates value by investing with a clear view on real estate markets, and a corresponding risk management framework. Risk management is the process of understanding these risks for Bouwinvest and its investors; to manage these risks within the parameters of the defined appetite and tolerances through an efficient and effective system of risk controls; and monitoring and reporting on the effectiveness of same.

This risk framework requires a structured integrated approach to provide the Board of Directors with insight into the proper identification of risks; the risk and control measures (both substance and procedures) taken by line management to manage these risks; an independent assessment on the effectiveness of these measures and resulting remaining risks and advice or proposals to (further) reduce the risk based on a forward-looking approach. Bouwinvest has established a Risk Management Framework based on the COSO framework. This framework will establish risk policies for each identified material risk, describing risk appetite, risk processes and procedures with adequate control measures to manage these risks, together with defined and allocated roles and responsibilities.

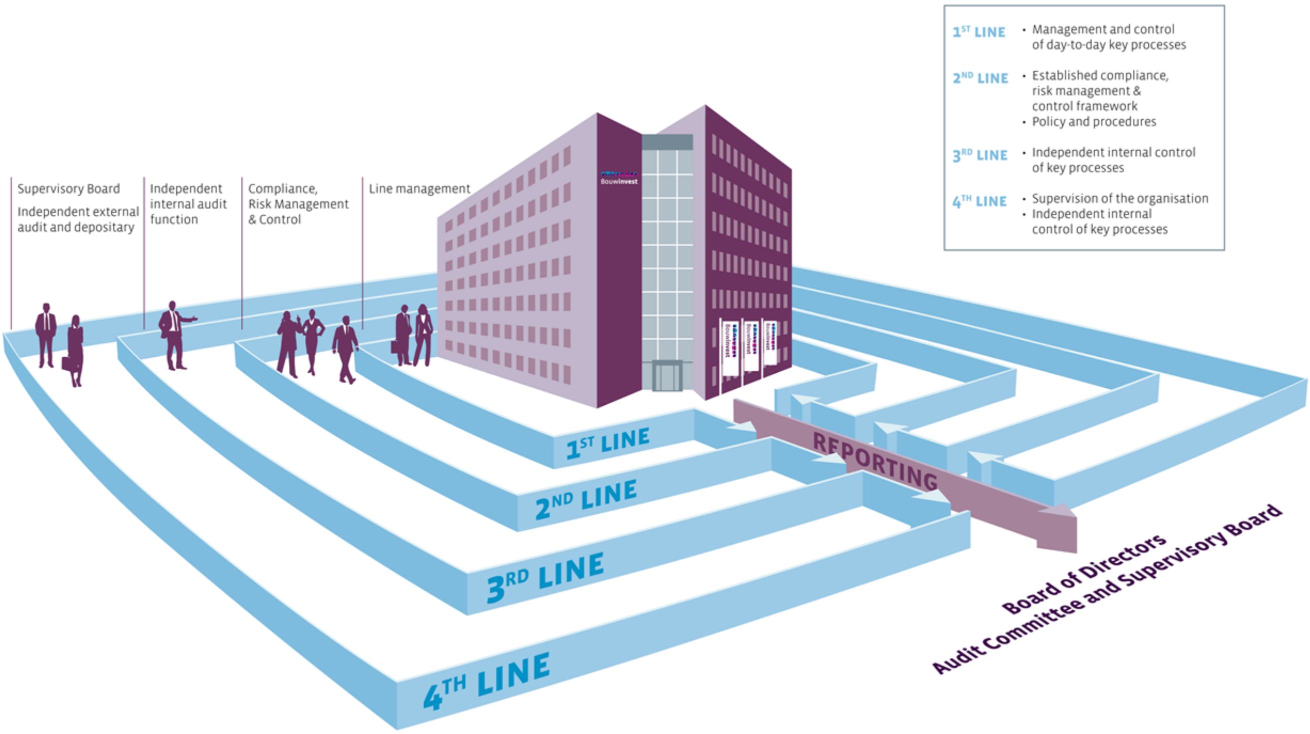
Lines of defence principle

The roles and responsibilities in the organisation with respect to risk management are based on the so-called lines of defense model, which together provides the Board of Directors with a framework that helps its members to be in control.

The lines of defence are as follows:

1. Line management – responsible for the integration of a risk and control environment in the daily activities of the organisation;
2. Compliance, Risk Management and Control – responsible for policy lines related to risks, compliance and control, and efficient and cost-effective implementation of said policy lines. Together with a process of continuous improvement;
3. Internal Auditor – ensures the integrity and functioning of the risk management framework and performs operational audits;
4. Supervisory Board and external auditor – the Supervisory Board supervises the risk assessments and risk management related to the strategy and activities of Bouwinvest and the functioning of the internal risk monitoring and control framework, while the external auditor provides its independent opinion.

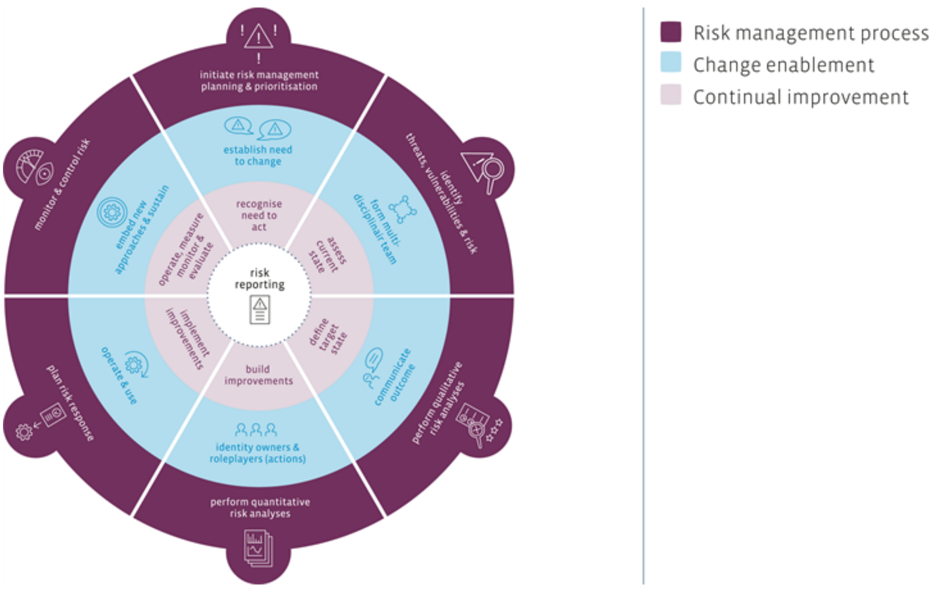
Bouwinvest's lines of defence



Risk management

The Risk Management department plays a coordinating role to provide a holistic and integral overview of all risks within Bouwinvest and the risks within the Funds and mandates managed by Bouwinvest. Risk Management maintains a taxonomy of all identified risks relevant to Bouwinvest; designs and implements the overall risk policy and risk policies for each of these risks; and coordinates where risk policies are defined by other departments (such as Legal, Tax and Control). The primary role of the Risk Management department is to identify and assess all material risks, to define the probabilities and impact of risk scenarios and to perform a challenging, countervailing role with respect to timeliness, fairness and completeness; from a pre-event and post-event perspective; substance and procedural. The Risk Management department proposes improvements for risk mitigating measures and controls aligned to the Board's of Directors defined risk appetite for the organisation and or the Funds managed by Bouwinvest.

Risk management cycle



Risk Management uses a risk management cycle to determine the risk management objectives in which all material risks are within the Board's of Directors stated risk appetite.

Risk management execution

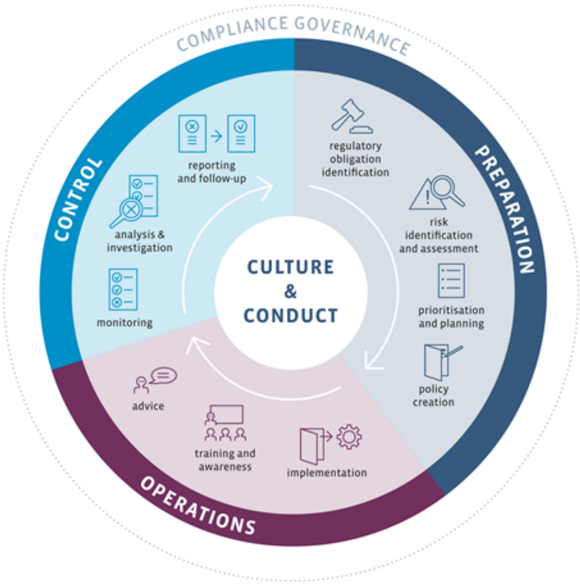
In the implementation of the risk management policies and controls, line management is supported and input is reviewed by dedicated and often independently positioned departments, such as Business Control and Research, especially during the investment decision-making process.

Compliance

Bouwinvest has a dedicated compliance function that identifies, assesses, advises on, monitors and reports on the company's compliance risks. For the planning, execution and reporting of all compliance activities, Compliance employs the Bouwinvest Compliance Cycle. This cycle contains groups of activities that are vital for the compliance function. The first group of activities focuses on the identification and interpretation of existing and new legislation relevant to Bouwinvest and its stakeholders and to determine its impact. Bouwinvest subsequently identifies and assigns scores to the relevant compliance risks and, on the basis of same, determines priorities. Compliance then translates the (amended) legislation and identified risks into policies, and then implements same. To achieve this, Compliance facilitates the design of the processes, procedures and/or controls needed to execute the updated and new policies. During implementation and on an ongoing basis, Compliance devotes a great deal of effort to creating awareness and providing advice on relevant compliance risks and how to deal with them, ensuring a reduction in the number of incidents.

Bouwinvest's compliance function supervises and monitors the effectiveness of the controls and initiates specific investigations when incidents or findings from regular monitoring activities necessitate this. Compliance reports on findings and on any areas of improvement in regular compliance reports, as well as reports on any investigations initiated.

The Bouwinvest Compliance Cycle



'In control' statement

The Bouwinvest Board of Directors has provided an 'In control statement', with respect to the risks related to Bouwinvest's financial reporting process and its strategic and operational risk management. The Board of Directors is responsible for an adequate risk management framework and well-functioning internal control systems, as well as the effectiveness thereof.

On the basis of its judgments of the risk management and internal control systems, the Board of Directors is of the opinion that these systems provide a reasonable assurance that the financial reports do not contain any material errors. Since 2012, Bouwinvest has received an annual ISAE3402 type II declaration showing that these processes are functioning as intended.

Fund risk factors

The value of the shares in the Fund is dependent on developments in the financial markets and real estate markets. The Fund considers the following risk factors of relevance for investments in this Fund. This list of risk factors is limited, but other circumstances and events may arise which are not mentioned but that do affect the value of the Fund. Investors are therefore asked to take note of this section and other sections to arrive at a well-informed opinion on the risks in this Fund.

The risk factors are listed below and organised along the lines of the risk categories outlined in the AIFMD. The order of the risks does not reflect the importance or relevance of these risks, as these are clustered in line with the risk categories required by the AIFMD.

1 Market risks

This is the risk that the value of the real estate in the Fund fluctuates due to supply and demand mechanisms in the markets in which the Fund operates. Some of the underlying risk factors may influence the direct return and cash flows of the Fund, while others primarily affect the indirect return. A drop in the value of direct real estate in the Fund has a direct impact on the Fund's indirect return.

The following risk factors may also influence the specific assets in the Fund:

Occupancy rate

Occupancy depends on market demand, availability of competitive propositions and fund portfolio positioning in the market. Occupancy is an important driver for the Fund’s expected direct return. In the event of an oversupply of properties in (parts of) the Fund´s operating market, financial occupancy rates (rental cash flows as a percentage of cash flows at market rates when fully let) may be lower than anticipated and affect the Fund's cash flows and returns.

Operational expenditure

In order to rent out properties and to keep the Fund’s assets in good condition, the Fund has to incur operational expenses. If these expenses are higher than anticipated, this may reduce the return of the Fund.

Inflation risk

Inflation risk is the risk that future inflation is lower than expected or rental markets deviate from these future inflation trends. Rental contracts usually contain inflation indexation clauses, which influences the (future) cash flows of the Fund. Real estate prices in general are also influenced by general price rise assumptions.

Valuation risk

The risk that the value of the property changes and does not reflect fair value. This risk is mitigated by having all properties owned by the Fund revalued by external appraisers on a quarterly basis. This revaluation is the most important driver for the Fund’s indirect return.

Concentration risk

Part of the strategy of the Fund is to select geographies where rental markets and rental properties are growing faster than the market as a whole. This strategy results in concentrations in geographical areas or property categories. Therefore, the Fund is vulnerable when unexpected trends have a negative impact on these concentrations.

2 Credit risk & Counterparty risk

Credit risk

This is the risk that a counterparty cannot fullfil its contractual financial obligation. Defaults or payment problems may result in clients not paying their contractual rents and service costs and this may affect cash flows and the value of the property.

Counterparty risk

The Fund may have to incur unexpected losses due to the default of one or more counterparties, such as banks or developers. The Fund’s liquidity is deposited with reliable, highly rated banks in the Netherlands.

Since the Funds strategy is to acquire properties that are sometimes under construction or even at the start of the building process, the Fund relies on these counterparties to complete these properties and has often already paid instalments to the developer in line with the progress of the construction. Should the developer run into financial difficulties, the Fund may incur additional costs to complete the property.

3 Liquidity Risk

This is the risk that the Fund has insufficient resources to pay current or future commitments. This risk consists of two parts:

- Financing liquidity: the liquidity required to pay the Fund's current expenses and dividends to its shareholders.
- Market liquidity: the liquidity required in the market to dispose of assets (as part of its hold-sell analysis, or to finance redemptions by investors) at prices in line with valuations (i.e. no distressed prices).

4 Operational risk

The Fund is subject to the following operational risks:

- Fiscal risk: the risk that changes in tax laws unexpectedly influence the value of the underlying properties or the value of the certificates in the Fund.
- Legal risk: the risk that interpretations of contracts and legal clauses unexpectedly influence the value of these contracts.
- Regulatory risk: the risk that the value of the Fund changes due to changes in regulations.
- Model and return risk: the additional risk that expected (modelled) returns have not materialised at the time of sale or valuation and the risk that the Fund may not meet its IRR.

Monitoring and reporting

Monitoring risks is embedded in the daily activities of the responsible line manager and is an integral part of the planning and control cycle. Bouwinvest monitors all the defined risks via key risk indicators, supported by the performance reporting and business incidents reporting processes. Each quarter, the Board of Directors is provided with a risk report, including the risk indicators indicated above and actions necessary to limit or mitigate risk, if there is a deviation between the outcome and the pre-determined norm. The Fund continued to enhance its system for reporting and monitoring risk in 2018. These improvements enable management to act in a timely manner to counteract or mitigate risk.

Occupancy risk

The importance and relevance of the individual risk factors is constantly changing. In 2018, the Fund mainly focused on mitigating the market risk of lower financial occupancy in the portfolio. In addition, occupancy is an important driver for the expected return and value of the Fund. To mitigate the risk of lower financial occupancy, the Fund focused on improving the appropriate communications with (potential) tenants and launches in new trade channels and markets. Besides maintaining and enlarging our personal networks, we upgraded online channels through new websites. Automated links to a smart CRM system has improved online lead generation and we launched a new community app to improve and ease communications between tenants, lessor and property manager.

Market risk

Despite the fact that the construction of new office space would not necessarily help to raise occupancy rates, it is nevertheless important that the market offers sufficient opportunities for (new) companies. A shortage of suitable office space is also a risk, as cities and/or the Netherlands as a whole may no longer be considered sufficiently attractive and (international) companies may therefore decide to relocate to other countries. The numerous transformations of office building for other uses and the growing user market has already led to a sharp decline in vacancy rates and rising rents. The high vacancy rates of recent years resulted in a wide range of new and amended government policies aimed at regulating the Dutch office market. The government (at both national and local levels) is now assessing how to expand the current planned supply while avoiding a boom-and-bust scenario. By participating in various market consultations organised by the large municipalities and the Randstad provincial authorities and other efforts, the fund is exerting it influence on future policies. The aim is to prevent oversupply, which my affect the current positive occupier market circumstances and property valuations.

Counterparty risk

Many contractors are struggling with shortage of personel and much higher expenses for labour and building materials. This has affected the contractor of the Olympics, which resulted into Bouwinvest taking over the management of the completion of these buildings which has proven so far to be succesful. Bouwinvest has increased its monitoring of (re)developments to mitigate this risk.

Environmental risk

Another theme that could entail risk is sustainability. Climate objectives and the ongoing social debate is putting more pressure on sustainable investment. We are now subject to stricter legal requirements such as obtaining the minimum of an Energy Label C, which is compulsory from 2023 onwards. Although listed buildings are still exempt, this may change in the future. This is why the Fund is also investigating potential measures for these buildings. We have drawn up a Paris-proof plan for each building.

Fund-specific legal or regulatory risk

In 2017, the Dutch government proposed to amend the FBI-regime, potentially affecting the fiscal status of the Fund. End 2018, this proposal was repealed so this risk has not materialized. However, the Ministry of Finance announced to investigate the application of the FBI-regime by foreign real estate investors in situations that could be considered 'abusive'. Since the application of the FBI-regime by the Fund is considered to be in line with the spirit and purpose of the law, we do not expect that the FBI-status of the Fund will be considered 'abusive' and hence, we expect such investigation will not have a major impact of the Fund.

Alternative Investment Fund Managers Directive (AIFMD)

Since 2014, Bouwinvest has had an AFM licence as required by the Alternative Investment Fund Managers Directive (AIFMD). This licence allows Bouwinvest to manage funds that are open to institutional investors other than bpfBOUW. The AIFMD specifies certain transparency and integrity-related requirements for Alternative Investment Funds. In 2018, Bouwinvest continued to optimise its reporting processes and streamlined its cooperation with its depositary Intertrust Depositary Services B.V.

Financial statements 2018

Consolidated statement of comprehensive income

All amounts in € thousands, unless otherwise stated

	Note	2018	2018	2017	2017
Gross rental income	6	34,811		34,102	
Service charge income	6	6,318		5,941	
Other income		2,201		3,141	
Revenues			**43,330**		**43,184**
Service charge expenses		(9,172)		(7,491)	
Property operating expenses	7	(15,040)		(17,037)	
			(24,212)		**(24,528)**
Net rental income			**19,118**		**18,656**
Costs of abnormal waste for property under construction	13		**-**		**(1,150)**
Positive fair value adjustment investment property	12	60,169		10,469	
Negative fair value adjustment investment property	12	(1,570)		(7,136)	
Fair value adjustments on investment property under construction	13	2,308		54,125	
Net valuation gain (loss) on investment property			**60,907**		**57,458**
Administrative expenses	8		(3,718)		(2,952)
Result before finance result			**76,307**		**72,012**
Finance result	9	(148)		(106)	
Net finance result			**(148)**		**(106)**
Result before tax			**76,159**		**71,906**
Income taxes	10		(197)		(160)
Result for the year			**75,962**		**71,746**
Items that will not be reclassified subsequently to comprehensive income			-		-
Items that may be reclassified subsequently to comprehensive income			-		-
Total comprehensive income for the year, net of tax			**75,962**		**71,746**
Net result attributable to shareholders			75,962		71,746
Total comprehensive income attributable to shareholders			**75,962**		**71,746**
Distributable result	19		15,074		15,437
Pay-out ratio	19		100%		100%

Consolidated statement of financial position

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2018	2017
Assets			
Non-current assets			
Investment property	12	536,054	468,661
Investment property under construction	13	210,857	127,432
		746,911	**596,093**
Deferred tax assets	14	**-**	**83**
Current assets			
Trade and other current receivables	15	18,864	8,345
Cash and cash equivalents	16	16,870	40,424
		35,734	**48,769**
Total assets		**782,645**	**644,945**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		307,717	275,035
Share premium		326,514	279,196
Revaluation reserve		95,937	74,104
Retained earnings		(34,889)	(68,635)
Net result for the year		75,962	71,746
Total equity	17	**771,241**	**631,446**
Current liabilities			
Trade and other payables	18	11,404	13,499
Total liabilities		**11,404**	**13,499**
Total equity and liabilities		**782,645**	**644,945**

Consolidated statement of changes in equity

For 2018, before appropriation of profit, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2018	**275,035**	**279,196**	**74,104**	**(68,635)**	**71,746**	**631,446**
Comprehensive income						
Net result	-	-	-	-	75,962	75,962
Total comprehensive income	**-**	**-**	**-**	**-**	**75,962**	**75,962**
Other movements						
Issued shares	32,682	47,318	-	-	-	80,000
Appropriation of result	-	-	-	71,746	(71,746)	-
Dividends paid	-	-	-	(16,167)	-	(16,167)
Movement revaluation reserve	-	-	21,833	(21,833)	-	-
Total other movements	**32,682**	**47,318**	**21,833**	**33,746**	**(71,746)**	**63,833**
Balance at 31 December 2018	**307,717**	**326,514**	**95,937**	**(34,889)**	**75,962**	**771,241**

* See explanation dividend restrictions in Note 17.

For 2017, before appropriation of profit, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2017	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**
Comprehensive income						
Net result	-	-	-	-	71,746	71,746
Total comprehensive income	**-**	**-**	**-**	**-**	**71,746**	**71,746**
Other movements						
Issued shares	22,662	27,338	-	-	-	50,000
Appropriation of result	-	-	-	30,506	(30,506)	-
Dividends paid	-	-	-	(16,288)	-	(16,288)
Movement revaluation reserve	-	-	56,831	(56,831)	-	-
Total other movements	**22,662**	**27,338**	**56,831**	**(42,613)**	**(30,506)**	**33,712**
Balance at 31 December 2017	**275,035**	**279,196**	**74,104**	**(68,635)**	**71,746**	**631,446**

* See explanation dividend restrictions in Note 17.

Consolidated statement of cash flows

All amounts in € thousands

	Note	2018	2017
Operating activities			
Net result		75,962	71,746
Adjustments for:			
Valuation movements		(60,907)	(57,458)
Net finance result		148	106
Movements in working capital		(13,014)	(1,297)
Cash flow generated from operating activities		**2,189**	**13,097**
Interest paid		(148)	(106)
Interest received		-	-
Cash flow from operating activities		**2,041**	**12,991**
Investment activities			
Proceeds from sale of investment property		-	-
Payments of investment property	12	(8,291)	(5,080)
Payments of investment property under construction	13	(81,137)	(28,722)
Cash flow from investment activities		**(89,428)**	**(33,802)**
Finance activities			
Proceeds from the issue of share capital		80,000	50,000
Redemption of shares		-	-
Dividends paid		(16,167)	(16,288)
Cash flow from finance activities		**63,833**	**33,712**
Net increase/(decrease) in cash and cash equivalents		(23,554)	12,901
Cash and cash equivalents at beginning of year		40,424	27,523
Cash and cash equivalents at end of year	16	**16,870**	**40,424**

Notes to the consolidated financial statements

All amounts in € thousands, unless otherwise stated

1 General information

The Office Fund (Chamber of Commerce number 34366457) is a public limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Fund was formed for the purpose of providing shareholders with a rate of return by acquiring, managing, adding value to and disposing of a diversified real estate portfolio through investments in office real estate in the Netherlands.

The Fund owns two taxable subsidiaries, Bouwinvest Office Development B.V. (Chamber of Commerce number 66245133) and Bouwinvest Dutch Institutional Office Fund Services B.V. (Chamber of Commerce number 67492738). These subsidiaries perform activities that might go beyond mere 'investing'. By having these activities performed by these subsidiaries the Fund remains compliant with the investment criteria of the FII-regime. Bouwinvest Office Development B.V. (Office Development) performs development activities for the investment portfolio of the Fund while Bouwinvest Dutch Institutional Office Fund Services B.V. (Office Fund Services) renders services that are ancillary to renting activities of the Fund.

The Fund's active portfolio management is supported by the supply of (re)developed properties by Office Development and third parties.

The Statutory Director will present the annual report to the Annual General Meeting of shareholders on 24 April 2019, and will request the approval of the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

The Fund's functional and presentation currency is the euro. All amounts are in thousands of euros, unless otherwise stated. The financial year 2018 was a normal calendar year from 1 January to 31 December 2018.

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of the Office Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company financial statements of the Fund are included in the consolidated financial statements and are prepared in accordance with the legal requirements of Part 9, Book 2, of the Dutch Civil Code. These financial statements have been prepared in accordance with the provision of Article 2:362 subsection 8 and 9, of the Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

Statement of comprehensive income

The Fund presents its statement of comprehensive income by nature of expenses.

Application of new and revised International Financial Reporting Standards (IFRS)

In 2018, the Fund did adopt the new IFRS standards, amendments to IFRS and the interpretations that are mandatory for accounting periods that begin on or after 1 January 2018. The Fund did not adopt any new or amended standards issued but not yet effective.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40: Transfers of Investmenty Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The application of these amendments has had no material impact on the disclosures in the Fund's financial statements.

New and amended standards and interpretations, effective for financial years beginning on or after 1 January 2019

Standards issued but not yet effective up to the date of the issuance of the Fund's financial statements are listed below:

- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayments Features with Negative Compensation
- IFRS 16 Leases

The Fund has studied the improvements and is currently assessing their impact.

For IFRS 16, the effect of applying IFRS 16 Leases in relation to ground lease payments will be nil for both the equity and the income of the Fund at the date of recognition as the value of the right-of-use asset will equal the liability for future lease terms. After recognition the effect on the income statement will be negligible as only a limited number of assets have a ground lease and ground lease payments are a very modest part of the net rental income.

New and amended standards and interpretations not yet adopted by the European Union

The Fund is not yet applying the standards, amended standards and interpretations that have not yet been adopted by the European Union:

- IFRS 17 Insurance Contracts
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Plan Amendments, Curtailment or Settlement
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material

The Fund has studied the improvements and is currently assessing their impact.

Preparation of the financial statements

The consolidated financial statements have been prepared on the historical cost basis except for investment property and investment property under construction, which are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The following entities are included in the consolidated financial statements:

- Bouwinvest Office Development B.V. (100%), established 15 June 2016

- Bouwinvest Dutch Institutional Office Fund Services B.V. (100%), established 15 December 2016

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Investment property

Investment property under construction or being developed for future use as investment property is presented under ‘Investment property under construction’.

Land held under operating leases is classified and accounted for by the Fund as investment property when it meets the rest of the definition of investment property and is accounted for as a finance lease.

Investment property is measured initially at its cost, including related transaction costs such as advisory costs, notary costs, transfer taxes and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is stated at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

In line with the Practice Statements, as incorporated in the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards (‘the Red Book’), valuations are performed as of the financial position date by professional valuation experts who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as an investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. including vacancy and rental incentives. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposal of investment properties are recognised in the statement of comprehensive income in the year of disposal.

In the fair value assessment of the investment property the potential effect on future cash flow in respect to granted lease incentives are taken into consideration.

2.4 Investment property under construction

Investment property under construction for future use as investment property is stated at fair value.

Fair value measurement on investment property under construction is only applied if the fair value is considered to be reliably measurable. If the Fund determines that the fair value of an investment property under construction is not reliably determinable when construction is incomplete, it shall measure that investment under construction at cost until either its fair value becomes reliably determinable or construction is completed.

It may sometimes be difficult to determine the fair value of the investment property under construction reliably. In order to evaluate whether the fair value of an investment under construction can be determined reliably, management considers, among others, the following factors:

- The provisions of the construction contract
- The stage of completion
- Project/ property characteristics: standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar construction projects
- Pre-let percentage
- Status of construction permits

After the first instalment for the project under construction, an external valuation expert values the project each quarter. Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise.

Investment property is not developed within the Office Fund but via external parties or within Bouwinvest Office Development B.V. When entering into the contract, the rental risk is transferred to the Fund; the remaining risks remain with the developer. The paid instalments are therefore recognised as investment property under construction.

2.5 Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition. When financial assets are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Fund transfers substantially all risks and rewards of ownership. The Fund's financial assets consist of loans and receivables.

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Fund assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

With respect to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Fund will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

Deferred taxes are recognised in respect of temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax assets or liabilities are calculated based on temporary differences and on tax losses carried forward, using the applicable tax rate in effect at the financial year-end date. The deferred tax assets are recorded for the amount expected to be recoverable over a foreseeable period and to the extent that future taxable profits will be available.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through the statement of comprehensive income, loans, held-to-maturity financial liabilities, and available-for-sale financial liabilities, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. When financial liabilities are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through the statement of comprehensive income, directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities included in trade and other payables are initially recognised at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.6 Prepayments

Prepayments are stated at cost less any accumulated impairment losses.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.8 Issued capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Tenant deposits
The Office Fund obtains deposits from tenants as a guarantee for the return of the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 12 months. Such deposits are treated as financial assets in accordance with IAS 39 and they are initially recognised at fair value. The deposit is subsequently measured at amortised cost.

Tenant deposits are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the deposit for at least 12 months after the date of the statement of financial position.

2.10 Dividend distribution
An FII is obliged to distribute its distributable profit annually within eight (8) months after the end of the relevant fiscal year (*doorstootverplichting*). The distributable profit generally only includes current income (dividends, interest and rental income). The (realised and unrealised) gains on securities and the realised gains on all other investments (including real estate), which are added to a so-called reinvestment reserve (*herbeleggingsreserve*), are not included in the distributable profit.

2.11 Rental income
Rental income from investment property leased out under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Rent incentives granted by the Fund to its tenants are recognised as an integral part of the total rental income. The rent incentives are included in investment property.

Incentives to enter into rental agreements are spread evenly over the rental term, even if the payments are not made on such a basis. The rental term is the non-cancellable period of the rental agreement, together with any further term for which the tenant has the option to continue the rental agreement, when, at the inception of the rental agreement it is reasonably certain that the tenant will exercise this option.

Premiums received to terminate rental agreement are recognised in the statement of comprehensive income when they arise.

2.12 Service charges, property operating expenses and administrative expenses
In the case of service contracts with third parties, service charges are recovered from tenants. Service charges in respect of vacant property are expensed. These mainly relate to gas, water, electricity, cleaning and security.

Property operating expenses comprise those costs that are directly attributable to the operation of properties, net of costs charged to tenants. These mainly relate to tax, insurance, leasehold, maintenance and professional fees. These are expensed as incurred. Administrative expenses are expenses that are not directly attributable to the operation of properties (including charged management costs not directly related to properties, office overheads, advice, valuation and audit fees, listing costs and marketing and promotion costs).

Service charges for which the Fund acts as a principal are presented in the statement of comprehensive income. Therefore, for those property investments for which the Fund is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis.

2.13 Other income
Income attributable to the year that cannot be classified under any of the other income categories.

2.14 Finance income and expenses
Finance result consists of interest income and expenses and is recognised in the statement of comprehensive income. Interest is recognised in the statement of comprehensive income as it accrues.

2.15 Cash flow statement
Cash flows are stated according to the indirect method.

The acquisitions of investment properties are disclosed as cash flows from investment activities, as this reflects the Fund's business activities most appropriately.

Cash and cash equivalents comprise cash on hand, demand deposits, short-term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Earnings per share
The Fund presents basic and diluted earnings per share (EPS) for its ordinary share capital. The earnings per ordinary share are calculated by dividing the profit or loss attributable to the Fund's shareholders by the weighted average number of issued ordinary shares during the reporting period. In calculating the diluted earnings per share, the profit or loss attributable to the Fund's shareholders and the weighted average number of issued ordinary shares during the reporting period are adjusted for all potential dilutive effects on the ordinary shares.

2.17 Income taxes
Based on its status as an FII, the Fund is subject to Dutch corporate income tax at a rate of 0%. See Note 10.

3 Financial risk management

3.1 Financial risk factors
The risk management function within the Fund is carried out with respect to financial risks. Financial risks are risks arising from financial instruments to which the Fund is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

Risk management is carried out by the risk manager under policies approved by the Statutory Director of the Fund. The treasury manager identifies and evaluates financial risks in close cooperation with the Fund's business units and the risk manager. The Statutory Director of the Fund provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of excess liquidity.

Market risk
The market risk of financial instruments relates to foreign exchange risk, price risk and interest rate risk. For more information, we refer you to the Risk Management section.

(I) Foreign exchange risk

The Fund has no exposure to foreign exchange risk as it operates in a euro country only.

(II) Price risk

The Fund has no significant exposure to price risk as it does not hold any equity securities or commodities. The Fund is not exposed to price risk other than in respect of financial instruments, such as property price risk, including property rental risk.

(III) Interest rate risk

As the Fund has no external loans and borrowings, it has no exposure to related interest rate risks. The interest rate risk related to bank balances is mitigated by bank deposits.

(IV) Hedging risk

The Fund has no hedging instruments in use.

Credit risk
Credit risk is defined as the unforeseen losses on assets if counterparties should fail to meet their obligations. The creditworthiness of tenants is closely monitored by checking their credit rating and keeping a close watch on the accounts receivable. Rents are in general also payable in advance and part of the rent payable is secured by means of bank guarantees or guarantee deposits. There are no significant credit risk concentrations.

It is our policy to enter into financial transactions only with financial institutions with a credit rating of at least A (Standard & Poor's). The financial risk is monitored for each individual transaction. Given the high credit rating of financial institutions, the Fund does not expect any defaults.

The credit risk relating to the receivables is maximized to 18.9 million in 2018 (2017: 8.3 million) and the receivables are closely monitored.

Deposits refundable to tenants may be withheld by the Fund in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

There is a significant concentration of credit risk with respect to cash and cash equivalents, as the Fund holds cash accounts with one financial institution. This financial institution has a credit rating of A (Standard & Poor's) and therefore the credit risk is mitigated.

Liquidity risk
Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury manager aims to maintain flexibility in funding by keeping committed credit lines available.

The Fund's liquidity position is monitored on a daily basis by management and is reviewed quarterly by the Statutory Director of the Fund. The Finance department manages liquidity risks and is derived from managerial reports at Fund level. The amounts are disclosed in the notes to consolidated statement of financial position. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

3.2 Fair value estimation
For financial purposes fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amount less impairment provision of trade receivables and trade payables approximates their fair value. All other Statement of financial position items are short-term and therefore not adjusted to their fair value.

The trade and other current receivables, as well as the trade and other payables are categorised as level 2. The cash and cash equivalents are categorised as level 1.

3.3 Capital risk management
The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Funding is secured by its shareholders through capital calls for which estimations are made each year. No external funding will be obtained.

The Fund distributes the operating profit annually to its shareholders as required by tax law. Reference is made to Note 10[on page 73] . In order to maintain or adjust its capital structure, the Fund may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back shares from shareholders or sell assets to reduce debt.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and adjusted for current market conditions and other factors.

4.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be exactly the same as the related actual results. The estimates, assumptions and management judgements that carry a significant risk of material adjustments to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Principal assumptions underlying management's estimation of fair value property portfolio

The valuation of the investment property portfolio is determined in accordance with the Fund's valuation principles. All investments are measured at fair value and based on active market prices, adjusted, if necessary, for any difference in nature, location or condition of the specific asset.

Current economic developments and uncertainties influence the valuation of our investment properties. The methods and significant assumptions applied in determining the fair value of our investment properties are mainly due to (i) active market prices, (ii) the influence of so-called rent-free periods and vacancy rates, (iii) the discount rates and (iv) assumed trends in rents.

These market values are based on valuations by independent external valuation experts. The valuation is based on an open market value, supported by market evidence in which assets can be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation, in accordance with the guidelines of MSCI Netherlands Property Index.

The valuations are based on a discounted cash flow (DCF) analysis of each property combined – where necessary – with valuations based on market evidence. The DCF analyses are adjusted to existing lease agreements, in order to cover the full period of existing lease agreements. The DCF analyses are based on calculations of the future rental revenue in accordance with the terms in existing lease agreement, and estimations of the rental values when the agreement expires. The starting point for the estimation of the discount rate is the nominal interest rate for 10-year Dutch government bonds. This rate should be increased in accordance with the risks involved in property investments. The whole investment property portfolio is appraised on a quarterly basis by external appraisers. The valuations are executed by external independent valuation experts.

5 Core regions

A spread by core regions is applied in the analysis of the valuation of the investment property portfolio. Amsterdam, Rotterdam, The Hague and Utrecht are considered core office regions in 2018. The Fund is currently active in these 4 regions.

The valuation of the completed investment properties per core region for the year ended 31 December, is as follows:

Property valuation as at 31 December	2018	2017
Region		
Amsterdam	93,452	79,920
Rotterdam	116,321	108,287
Utrecht	31,530	26,701
The Hague	294,751	253,753
Total	**536,054**	**468,661**

6 Gross rental income and service charge income

	2018	2017
Theoretical rent	43,081	43,174
Incentives	(3,679)	(3,279)
Vacancies	(4,591)	(5,793)
Total gross rental income	**34,811**	**34,102**

The future contractual rent from leases in existence on 31 December 2018, until the end of the contract (accounted for on the basis of the minimum rent) can be analysed as follows:

	2018	2017
First year	33,779	30,531
Second to fifth year	64,039	45,277
More than five years	22,622	10,823

Service charge income represents € 6.3 million (2017: € 5.9 million) income receivable from tenants for the services utilities, caretakers, etc. when the Fund acts as a principal.

7 Property operating expenses

	2018	2017
Taxes	1,980	1,663
Insurance	182	205
Maintenance	4,534	6,971
Valuation fees	73	113
Property management fees	1,083	1,046
Letting and lease renewal fees	2,755	2,731
Other operating expenses	4,459	4,596
Addition to provision for bad debts	(26)	(288)
Total property operating expenses	**15,040**	**17,037**

In 2018, € 0.1 million (2017: € 0.2 million) of the maintenance expenses related to unlet properties.

8 Administrative expenses

	2018	2017
Management fee Bouwinvest	3,371	2,757
Audit fees	38	26
Other administrative expenses	122	114
Legal fees	12	25
Other Fund expenses	175	30
Total administrative expenses	**3,718**	**2,952**

Where administrative expenses relate directly to the operation of the property portfolio, they are charged to operating expenses. Where administrative expenses relate directly to the development of the property portfolio, they are capitalised.

9 Finance expenses

	2018	2017
Finance expenses	148	106
Total finance expenses	**148**	**106**

The Fund had no external loans and borrowings during 2018. The Fund was subject to the negative interest rate development for its bank balances.

10 Income taxes

FII Status
The Fund has opted for the status of Fiscal Investment Institution (FII). Although an FII is not transparent for tax purposes the FII regime is based on the principle of tax transparency. This transparency is effectively realized by the fact that an FII is subject to Dutch corporate income tax at a rate of 0% in combination with the so-called distribution obligation (for more information see the distribution obligation section below). As a result any benefits derived from a shareholding in an FII are taxable at shareholder level only.

To benefit from the FII regime, the Fund must meet certain requirements regarding, inter alia, the aforementioned obligation to distribute its profits, its activities, its leverage and its shareholders. These requirements are outlined in greater detail below.

Distribution obligation
Because of the fiscal transparency principle, an FII must distribute 100% of its taxable profits within eight months after the end of the relevant fiscal year, with the exception of certain specific items. In practice, the company-only net rental income and net finance income, is distributed annually. Capital gains, either realised or unrealised, do not need to be distributed. Unrealised capital gains do not constitute taxable income whereas realised capital gains are added to a so-called reinvestment reserve. Part of the management costs need to be charged against the reinvestment reserve. If and to the extent that realised gains are added to the reinvestment reserve, such gains are treated as capital for dividend withholding tax purposes, rather than distributable profits (for more information see the dividend withholding tax section).

Activity rules
An FII is obliged to be engaged exclusively in passive investment activities, i.e. it may not (partly) conduct an active trade or business. Whether an activity is characterised as a passive investment activity or as a business activity for Dutch tax purposes depends on all relevant facts and circumstances.

Real estate development is not regarded as a 'passive' investment activity. However, development activities for the FII's own portfolio are specifically permitted. These activities should be carried out by a subsidiary which is subject to tax at the common corporate tax rate (2018: 25%). Improvements to existing properties do not qualify as development activities provided that the capital expenditure is less than 30% of the value of the property as determined by the Dutch Valuation of Immovable Property Act (*Wet Waardering onroerende zaken*) prior to the improvements.

In addition activities that are auxiliary to the Fund's passive investment activities (renting out of the Fund's real property) are under conditions permitted, provided that they are also carried out by a taxable subsidiary of the Fund.

The Fund avails of both a taxable subsidiary for development activities as a taxable subsidiary for auxiliary services.

Leverage restrictions
An FII may finance its investments with debt up to a maximum of 60% of the fiscal book value of the real estate property, plus 20% of the fiscal book value of all other investments.

Shareholder test
As the Fund is subject to supervision of the AFM due to Bouwinvest's AIFMD license as an alternative investment fund manager, the Fund is subject to the shareholder requirements for regulated FIIs. The shareholder requirements for regulated FIIs stipulate that:

- A single corporate entity which is subject to any form of profit tax, not being a regulated FII or an UCITS, or an entity whose profits are taxed in the hands of its participants, i.e. a tax transparent entity, may not own 45% or more of the shares together with such affiliated entities.
- A single individual may not own an interest of 25% or more.

Furthermore, all FIIs must meet the condition that their shares are not owned for 25% or more by Dutch resident entities through the interposition of non-Dutch entities which have a capital divided into shares or mutual funds.

The Fund met the requirements of an FII in 2018. The effective tax rate was 0% (2017: 0%).

Legislation FII-status
In 2017 the Dutch government announced new legislation abolishing the Dutch dividend withholding tax and no longer allowing FII's to directly invest in Dutch real estate. As a result the Fund should be restructured to avoid negative tax consequence to the extent possible. However 15 October 2018 the Dutch government announced that the dividend withholding tax would not be abolished and that, as a result, the FII-regime would not be amended. So the legal structure of the Fund will not have to be converted.

Dividend withholding tax
Profit distributions by the Fund are subject to Dutch dividend withholding tax at the statutory rate of 15%. However, distributions made from the tax free reinvestment reserve are not subject to Dutch dividend withholding tax, provided that this is properly formalized.

Office Development
Office Development is the taxable subsidiary that carries out development activities for the Office Fund. The negative result before tax of Office Development in 2018 was € 18.4 million. Reference is made to the paragraph on The Olympics. No deferred tax asset is recognised for this loss.

11 Employee benefits expense

The Office Fund has no employees.

12 Investment property

	2018	2017
At the beginning of the year	**462,210**	**453,797**
Transfer from investment property under construction	-	-
Investments	8,291	5,080
Transfers to investment property under construction	-	-
Disposals	-	-
Net gain (loss) from fair value adjustments on investment properties (like for like)	58,599	3,333
Net gain (loss) from fair value adjustments on investment properties	-	-
In profit or loss	**58,599**	**3,333**
In other comprehensive income	-	-
Transfers out of level 3	-	-
Total investment property (level 3)	**529,100**	**462,210**
Lease incentives	6,954	6,451
At the end of the year	**536,054**	**468,661**

The Fund's investment properties are valued by external valuation experts on a quarterly basis. The external valuation expert is changed every three years. On 31 December 2018, these properties were revalued by independent professionally qualified valuation experts who hold a recognised relevant professional qualification and had recent experience in the locations and categories of the investment properties valued. The carrying values of investment property as at 31 December 2018, and 1 January 2018, are in line with the valuations reported by the external valuation experts.

The lease incentives granted are included in the total fair value of investment properties. For the year 2018 the amount of lease incentives is € 7.0 million (2017: € 6.5 million).

Investments	2018	2017
Amsterdam	1,865	1,179
Rotterdam	6,323	2,603
Utrecht	1	1,050
The Hague	102	248
Total investments	**8,291**	**5,080**

The significant assumptions with regard to the valuations are set out below.

2018	Amsterdam	Rotterdam	Utrecht	The Hague	Total
Current average rent (€/m²)	240	167	154	173	177
Current average rent (€/PP)	2,093	2,592	1,319	1,590	1,909
Estimated rental value (€/m²)	262	171	166	181	186
Estimated rental value (€/PP)	1,999	2,623	1,750	1,657	1,937
Gross initial yield	7.5%	6.5%	5.6%	6.9%	6.8%
Net initial yield	4.5%	2.1%	2.6%	4.3%	3.8%
Current vacancy rate (financial)	2.5%	29.3%	-0.5%	5.1%	10.8%
Long-term growth rental rate	2.2%	1.8%	2.5%	2.1%	2.1%
Average 10-year inflation rate (NRVT)					0.5%

2017	Amsterdam	Rotterdam	Utrecht	The Hague	Total
Current average rent (€/m²)	205	164	152	188	180
Current average rent (€/PP)	1,969	3,653	1,227	1,606	2,081
Estimated rental value (€/m²)	230	167	163	181	181
Estimated rental value (€/PP)	1,950	3,796	1,400	1,554	2,083
Gross initial yield	8.2%	7.0%	6.4%	8.4%	8.0%
Net initial yield	4.5%	1.6%	2.7%	5.6%	4.3%
Current vacancy rate (financial)	4.1%	28.2%	5.6%	10.0%	13.7%
Long-term growth rental rate	2.2%	1.5%	2.2%	2.0%	1.9%
Average 10-year inflation rate (NRVT)					0.5%

The net valuation gain (loss) for the year included a positive fair value adjustment of € 60,169 (2017: € 10,469) relating to investment properties that are measured at fair value at the end of the reporting period.

The valuation of the investment properties takes into account a rent-free period/rent incentives ranging from 1 to 3 months after occupation.

Investment property includes no buildings held under finance leases. The carrying amount is € nil (2017: € nil).

Sensitivity analysis

The appraisal of the portfolio implies a net initial yield of 3.8% (2017: 4.3%). If the yields used for the appraisals of investment properties on 31 December 2018 had been 100 basis points higher (2017: 100 basis points higher) than was the case at that time, the value of the investments would have been 26.1% lower (2017: 24.2% lower). In this situation, the Fund's shareholders' equity would have been € 150 million lower (2017: € 121 million lower).

The table below presents the sensitivity of the valuation to changes in the most significant assumptions.

	2018		2017	
Change rental rates	– 5%	5%	– 5%	5%
Value of the investment property change	(26,803)	26,803	(23,429)	23,429

	2018		2017	
Change net initial yield	– 25 bps	+ 25 bps	– 25 bps	+ 25 bps
Value of the investment property change	38,028	(33,303)	29,020	(25,822)

13 Investment property under construction

	2018	2017
At the beginning of the year	**127,432**	**44,645**
Transfer from investment property	-	-
Investments	81,117	28,662
Net gain (loss) from fair value adjustments on investment property under construction	2,308	54,125
In profit or loss	**2,308**	**54,125**
In other comprehensive income	-	-
Transfer to investment property	-	-
Transfers out of level 3	-	-
At the end of the year	**210,857**	**127,432**

	2018	2017
Investment property under construction at fair value	210,857	127,432
Investment property under construction at amortised cost	-	-
As at 31 December	**210,857**	**127,432**

Investment property is not (re)developed within the Office Fund but via external parties or within Bouwinvest Office Development B.V. As at 31 December 2018 the investment property under construction relates to Hourglass, Building 1931 and Building 1962 (Amsterdam), and Central Park (Utrecht).

The net valuation gain (loss) for the year included a positive fair value adjustment of € 2,308 (2017: € 54,125) relating to investment property under construction that is measured at fair value at the end of the reporting period.

The investment property under construction is valued by external valuation experts.

Investments	2018	2017
Amsterdam	45,563	28,662
Utrecht	35,554	-
Total investments	**81,117**	**28,662**

The significant assumptions with regard to the valuations are set out below.

	2018	2017
Gross initial yield	5.4%	5.6%
Net initial yield	4.0%	3.9%
Long-term vacancy rate	0.0%	0.0%
Average 10-year inflation rate (NRVT)	0.5%	0.5%
Estimated average percentage of completion	38.4%	N/A
Current average rent (€/m²)	336	359
Construction costs (€ per m²)	4,121	4,005

14 Deferred tax assets

	2018	2017
Deferred tax assets	-	83
Balance as at 31 December	**-**	**83**

15 Trade and other current receivables

	2018	2017
Trade receivables	694	1,321
Reclaimable VAT	9,798	1,534
Group companies Bouwinvest	681	691
Other receivables	7,691	4,799
Balance as at 31 December	**18,864**	**8,345**

16 Cash and cash equivalents

	2018	2017
Bank deposits	-	5,000
Bank balances	16,870	35,424
Balance as at 31 December	**16,870**	**40,424**

The bank balances of € 16.9 million are freely available to the Fund as at 31 December 2018. In order to minimalise the costs of the negative interest rate on the bank balances, during 2018 the Fund used 30-day bank deposits.

17 Equity attributable to shareholders of Bouwinvest Dutch Institutional Office Fund N.V.

For 2018, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2018	**275,035**	**279,196**	**74,104**	**(68,635)**	**71,746**	**631,446**
Comprehensive income						
Net result	-	-	-	-	75,962	75,962
Total comprehensive income	**-**	**-**	**-**	**-**	**75,962**	**75,962**
Other movements						
Issued shares	32,682	47,318	-	-	-	80,000
Appropriation of result	-	-	-	71,746	(71,746)	-
Dividends paid	-	-	-	(16,167)	-	(16,167)
Movement revaluation reserve	-	-	21,833	(21,833)	-	-
Total other movements	**32,682**	**47,318**	**21,833**	**33,746**	**(71,746)**	**63,833**
Balance at 31 December 2018	**307,717**	**326,514**	**95,937**	**(34,889)**	**75,962**	**771,241**

* See explanation dividend restrictions in this Note.

For 2017, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2017	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**
Comprehensive income						
Net result	-	-	-	-	71,746	71,746
Total comprehensive income	**-**	**-**	**-**	**-**	**71,746**	**71,746**
Other movements						
Issued shares	22,662	27,338	-	-	-	50,000
Appropriation of result	-	-	-	30,506	(30,506)	-
Dividends paid	-	-	-	(16,288)	-	(16,288)
Movement revaluation reserve	-	-	56,831	(56,831)	-	-
Total other movements	**22,662**	**27,338**	**56,831**	**(42,613)**	**(30,506)**	**33,712**
Balance at 31 December 2017	**275,035**	**279,196**	**74,104**	**(68,635)**	**71,746**	**631,446**

* See explanation dividend restrictions in this Note.

Dividend restrictions

The Office Fund is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. Dutch Law stipulates that dividends can only be paid up to an amount equal to the excess of the Fund's own funds over the sum of the paid-up capital, statutory reserves and reserves required by law.

The revaluation reserve, being a legal reserve, cannot be freely distributed. Dividends are all payments from the free reserves. The free reserves consist of the share premium and retained earnings. Dividend will consist partly of profits and other payments.

In order to further align the processing of the distributable dividends with Dutch Law and taking into account the FII status of the Fund, the distributable dividends are made from retained earnings insofar the retained earnings – being the total amount of retained earnings and result for the year – are not negative. The remaining amount of legally required distributable dividends is subsequently made from share premium. Any residual negative retained earnings is supplemented from the share premium.

	Number of shares in fully paid up equivalents	Paid-up share capital	Share premium	Total share capital and share premium
Opening balance at 1 January 2018	**275,035**	**275,035**	**279,196**	**554,231**
Issued shared	32,682	32,682	47,318	80,000
Dividends paid*	-	-	-	-
Balance at 31 December 2018	**307,717**	**307,717**	**326,514**	**634,231**

	Number of shares in fully paid up equivalents	Paid-up share capital	Share premium	Total share capital and share premium
Opening balance at 1 January 2017	**252,373**	**252,373**	**251,858**	**504,231**
Issued shared	22,662	22,662	27,338	50,000
Dividends paid*	-	-	-	-
Balance at 31 December 2017	**275,035**	**275,035**	**279,196**	**554,231**

Issued capital

The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2018, in total 307,717 shares had been issued and fully paid up.

Share premium

The share premium reserve consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve

The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2018 was determined at the individual property level.

18 Trade and other payables

	2018	2017
Trade payables	1,735	4,717
Rent invoiced in advance	5,726	5,664
Tenant deposits	1,486	1,233
Taxes	342	235
Other payables	2,115	1,650
Balance as at 31 December	**11,404**	**13,499**

The other payables relate to invoices yet to be received for maintenance of and investments in the portfolio.

19 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2018	2017
Net result attributable to shareholders	75,962	71,746
Weighted average number of ordinary shares	284,525	258,105
Basic earnings per share (€ per share)	266.98	277.97

The Fund has no potentially dilutive ordinary shares. Therefore, the diluted earnings per share are the same as the basic earnings per share.

20 Dividends per share

In 2018, € 16.2 million (2017: € 16.3 million) was paid as dividend. The payment of a dividend over 2018 of € 52.98 per share as at year-end 2018 (2017: € 59.81), amounting to a total dividend of € 15.1 million (2017: € 15.4 million), is to be proposed at the Annual General Meeting of shareholders on 24 April 2019. These financial statements do not reflect this dividend payable.

The dividend proposal for 2018 has not been accounted for in the financial statements. The dividend for 2018 will be paid in cash.

21 Contingent liabilities and assets

As at 31 December 2018, the Fund had unprovisioned contractual obligations for future repairs and maintenance of € 1.2 million (2017: € 0.9 million).

The total future commitments as at 31 December 2018 amounted to € 224 million (2017: € 113 million). The commitments relate to the acquisition of Central Park (Utrecht), Hourglass (Amsterdam) and the redevelopment of Building 1931 and Building 1962 (Amsterdam).

Investment commitments (in € million)	2019	2020	>2021
Central Park, Utrecht	26	32	67
Hourglass office, Amsterdam	74	2	-
Building 1931 (Zuid)	17	-	-
Building 1962 (Noord)	6	-	-
	123	**34**	**67**

The Fund has a contractual agreement with Bouwinvest for an indefinite period in which it has to pay a management fee, based on the net asset value. The notice period is two years.

22 Related parties

The Office Fund's subsidiairies and members of the Supervisory Board and Board of Bouwinvest and the other entities under management by Bouwinvest, qualify as related parties of the Office Fund. The Fund paid Bouwinvest a € 3.4 million fee in 2018 (2017: € 2.8 million).

BpfBOUW and the subsidiaries and investments held by bpfBOUW are also deemed related parties.

Members of the Supervisory Board and Board of Directors of Bouwinvest do not have any material interest in the Fund's voting shares and do not have options on shares. The Fund has not granted any loans to the members of the Bouwinvest Supervisory Board and Board of Directors.

The members of the Bouwinvest Supervisory Board and Board of Directors held no personal interest in the Fund's investments in 2018.

Bouwinvest Office Development B.V. (re)develops part of the investment property for the Fund. In 2018, € 16.4 million (2017: € 10.2 million) was paid to Bouwinvest Office Development B.V. with regard to the projects Building 1931 and Building 1962 (Amsterdam).

23 Management fee

Bouwinvest is the manager and the Statutory Director of the Fund. The management fee paid for the year 2018 amounted to € 3.4 million (2017: € 2.8 million).

In consideration of the management activities with respect to the Fund, Bouwinvest receives an annual management fee equal to 0.50% (exclusive of VAT) of the Fund's net asset value in accordance with the valuation methods of the Fund. The management fee is payable quarterly in advance.

During the reporting period, the manager, Bouwinvest, is responsible for five funds of which the Residential Fund, Office Fund and Retail Fund are under supervision of the Dutch Financial Markets Authority (AFM). Bouwinvest also has a separate mandate from bpfBOUW for the management of international real estate investments and manages Bouwinvest Development B.V. The remuneration cannot be explicitly allocated per fund and is therefore not available. The remuneration, in line with the AIMFD Article 107, is disclosed in the annual report 2018 of Bouwinvest Real Estate Investors B.V., which is filed and public.

24 Audit fees

The table below shows the fees charged over the year 2018 by Deloitte Accountants B.V. and the Deloitte Network in respect of activities for the Office Fund.

	2018	2017
Audit of the financial statements	38	26
Other audit engagements	-	-
Tax advisory services	-	-
Other non-audit services	-	-
Total fees	**38**	**26**

25 Subsequent events

As of January 2019, two Dutch pension funds committed for a total of € 223 million and shares were issued for € 30 million.

Company balance sheet

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2018	2017
Assets			
Non-current assets			
Investment property		536,054	468,661
Investment property under construction		225,436	127,432
Financial assets	3	1,169	6,516
		762,659	**602,609**
Current assets			
Trade and other current receivables		15,895	11,306
Cash and cash equivalents		12,479	38,388
		28,374	**49,694**
Total assets		**791,033**	**652,303**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		307,717	275,035
Share premium		326,514	279,196
Revaluation reserve		113,937	74,104
Retained earnings		(52,889)	(68,635)
Net result for the year		75,962	71,746
Total equity	**4**	**771,241**	**631,446**
Current liabilities			
Trade and other payables		19,792	20,857
Total liabilities		**19,792**	**20,857**
Total equity and liabilities		**791,033**	**652,303**

Company profit and loss account

All amounts in € thousands, unless otherwise stated

	2018	2017
Result of participation interests after taxes	(17,575)	477
Other income and expenses after taxes	93,537	71,269
Result for the year	**75,962**	**71,746**

Notes to the company financial statements

All amounts in € thousands, unless otherwise stated

1 Summary of significant accounting policies

1.1 General

The Company financial statements of Bouwinvest Dutch Institutional Office Fund N.V. (the Office Fund) are included in the consolidated financial statements and are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code. These financial statements have been prepared in accordance with provision of Article 2:362 subsection 8 and 9, of the Dutch Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

If no other policies are mentioned, the applicable policies are those of the consolidated financial statements. The consolidated financial statements should be consulted for an appropriate interpretation of the Company financial statements.

The notes in the consolidated financial statements also apply to the Company accounts. If Company amounts are not directly traceable to the consolidated notes, additional notes are included in the Company notes.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The exemption laid down in Article 402 Book 2 of the Dutch Civil Code has been applied to the Company profit and loss account of the Fund.

1.2 Financial assets

Subsidiaries

Subsidiaries include all entities over which the Fund has the power – directly or indirectly – to control financial and operational policies. Subsidiaries are valued under the net equity method, but not lower than zero.

The equity value is measured by valuation of assets, provisions and liabilities and determination of results based on the accounting policies of the consolidated financial statements.

Recognition of losses

If the share in losses attributable to the Fund exceeds the carrying amount of the net investment (investment and other unsecured receivables), further losses will not be recognised, unless the Fund has provided securities to the associate, committed to liabilities or paid on behalf of the associate. In that case, a provision will be set aside for the excess.

2 Financial risk management

Reference is made to Note 3 of the consolidated financial statements.

3 Financial assets

	2018	2017
As per 1 January	6,516	1,039
Acquisitions and capital contributions	12,228	5,000
Net result for the year	(17,575)	477
As per 31 December	**1,169**	**6,516**

The Fund acquired the shares (100%) of the following subsidiaries:

- Bouwinvest Office Development B.V., Amsterdam
- Bouwinvest Dutch Institutional Office Fund Services B.V., Amsterdam

Bouwinvest Office Development B.V. redevelops investment properties for Bouwinvest Dutch Institutional Office Fund N.V. Bouwinvest Dutch Institutional Office Fund Services B.V. renders services that are ancillary to renting activities of the Fund.

4 Equity attributable to shareholders of Bouwinvest Dutch Institutional Office Fund N.V.

For 2018, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2018	**275,035**	**279,196**	**74,104**	**(68,635)**	**71,746**	**631,446**
Comprehensive income						
Net result	-	-	-	-	75,962	75,962
Total comprehensive income	**-**	**-**	**-**	**-**	**75,962**	**75,962**
Other movements						
Issued shares	32,682	47,318	-	-	-	80,000
Appropriation of result	-	-	-	71,746	(71,746)	-
Dividends paid	-	-	-	(16,167)	-	(16,167)
Movement revaluation reserve	-	-	39,833	(39,833)	-	-
Total other movements	**32,682**	**47,318**	**39,833**	**15,746**	**(71,746)**	**63,833**
Balance at 31 December 2018	**307,717**	**326,514**	**113,937**	**(52,889)**	**75,962**	**771,241**

* See explanation dividend restrictions in Note 17 of the consolidated financial statements.

For 2017, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2017	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**
Comprehensive income						
Net result	-	-	-	-	71,746	71,746
Total comprehensive income	**-**	**-**	**-**	**-**	**71,746**	**71,746**
Other movements						
Issued shares	22,662	27,338	-	-	-	50,000
Appropriation of result	-	-	-	30,506	(30,506)	-
Dividends paid	-	-	-	(16,288)	-	(16,288)
Movement revaluation reserve	-	-	56,831	(56,831)	-	-
Total other movements	**22,662**	**27,338**	**56,831**	**(42,613)**	**(30,506)**	**33,712**
Balance at 31 December 2017	**275,035**	**279,196**	**74,104**	**(68,635)**	**71,746**	**631,446**

* See explanation dividend restrictions in Note 17 of the consolidated financial statements.

Issued capital
The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2018, in total 307,717 shares had been issued and fully paid up.

Share premium
The share premium reserve consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve
The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2018 was determined at the individual property level.

Appropriation of profit 2017
The Annual General Meeting of shareholders on 18 April 2018 adopted and approved the 2017 financial statements of the Office Fund. A dividend of € 59.81 (in cash) per share has been paid. Of the profit for 2017 amounting to € 71.7 million, € 71.7 million was incorporated in the retained earnings.

Proposal for profit appropriation 2018
The management of the Fund proposes to the General Meeting of shareholders that a dividend of € 52.98 (in cash) per share be paid. Of the profit for 2018 amounting to € 76.0 million, € 76.0 million will be incorporated in the retained earnings.

5 Employee benefits expense

The Office Fund has no employees.

6 Remuneration

Reference is made to Note 23 of the consolidated financial statements.

Signing of the Financial Statements
Amsterdam, 20 March 2019

Bouwinvest Real Estate Investors B.V.
Dick van Hal, *Chairman of the Board of Directors and Statutory Director*
Arno van Geet, *Managing Director Finance & Risk*
Allard van Spaandonk, *Managing Director Dutch Investments*
Stephen Tross, *Managing Director International Investments*

Other information

Articles of Association related to the appropriation of profit

Appropriation of profit is provided for in Article 20 of the Articles of Association. This specific article is quoted below.

20.1
The distributable profit shall be at the disposal of the General Meeting for distribution of dividend or to be added to the reserves. If the General Meeting has made a decision about profit distribution not later than immediately prior to or after the adoption of the financial statements, the distributable profit will be added to the reserves.

20.2
Distribution of profits shall take place after the adoption of the financial statements which show that the distribution is permitted.

20.3
The General Meeting may resolve to distribute one or more interim dividends and/or other interim distributions. The Board of Directors may also resolve to distribute one or more interim dividends.

20.4
Dividends shall be payable immediately after they have been declared, unless the General Meeting provides otherwise.

20.5
Distribution to shareholders may be made only to the extent of distributable equity and if an interim dividend is paid, that requirement is met according to an interim financial statement as referred to in Article 2:105 Section 4 of the Dutch Civil Code. The Fund shall deposit the interim financial statements at the offices of the Chamber of Commerce (Commercial Register) within eight days after the date of the decision to make an interim distribution.

20.6
In calculating the appropriation of profits, the shares held by the Fund in its own share capital shall not be taken into account.

Independent auditor's report

To the shareholders of Bouwinvest Dutch Institutional Office Fund N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our Opinion

We have audited the accompanying financial statements 2018 of Bouwinvest Dutch Institutional Office Fund N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Office Fund N.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Office Fund N.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2018.
2. The following statements for 2018: the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2018.
2. The company profit and loss account for 2018.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Bouwinvest Dutch Institutional Office Fund N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 10.4 million. The materiality is based on 1.4% of total investment property. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Materiality overview	
Materiality level	€ 10.4 million
Basis for group materiality level	1.4% of total investment property
Threshold for reporting misstatements	€ 520 thousand

We agreed with the Board of Directors that misstatements in excess of € 520 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Bouwinvest Dutch Institutional Office Fund N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Bouwinvest Dutch Institutional Office Fund N.V.

Our group audit mainly focused on significant group entities.

We have performed all audit procedures ourselves for all group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Valuation of investment property	
Investment property and investment property under construction are important accounts balances in the statement of financial position and are valued at fair value. The valuations of these investment properties are based on external valuations. The valuation of investment property contains an inherent estimation uncertainty (see also notes 4.1, 12 and 13 of the notes to the financial statements).	We have obtained an understanding of the key controls, including the involvement of the external valuation experts by management, surrounding the valuation process. Using the underlying external appraisal reports we have verified the value of the investment property. We have likewise reconciled the rental data applied with the financial accounting records. On the basis of IAS 40, we have reviewed the Fair Value concept as applied by the appraisers. Likewise, we have critically reviewed the relevant factors influencing the appraisal value of an object and discussed these with the external appraisers and the responsible client personnel. We have additionally engaged internal property experts to review a selection of the property. We have performed an additional test on the reliability of the estimation by comparing the valuation with the revenues effectively realized upon sale.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report of the Board of Directors
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code
- Other additional information, among others: Responsible investing, Corporate governance and Risk management.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.

- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, March 20, 2019

Deloitte Accountants B.V.

Signed on the original: J. Holland

INREV valuation principles and INREV adjustments

INREV valuation principles

In order to give investors information on the transition from the Net Asset Value (NAV) according to IFRS to the adjusted NAV based on INREV valuation principles, the Fund reports the adjustments according to the INREV valuation principles. The fundamental assumption underlying the adjusted INREV NAV of the Fund is that it should give a more accurate reflection of the economic value of the Fund and of a participation in the Fund as it would be realised by a participant in a theoretical sale, as of the balance sheet date, assuming an arm's length transaction, a willing buyer/seller and an adequate time to market.

Note		Total	Per share	Actual impact on 2018 figures	Actual impact on 2017 figures
	NAV per the IFRS financial statements	X	X	Yes	Yes
	Reclassification of certain IFRS liabilities as components of equity	X	X	N/A	N/A
1	Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	X	X	N/A	N/A
2	Effect of dividends recorded as a liability which have not been distributed	X	X	N/A	N/A
	NAV after reclassification of equity-like interests and dividends not yet distributed	X	X	N/A	N/A
	Fair value of assets and liabilities	X	X	N/A	N/A
3	Revaluation to fair value of investment properties	X	X	N/A	N/A
4	Revaluation to fair value of self-constructed or developed investment property	X	X	N/A	N/A
5	Revaluation to fair value of investment property held for sale	X	X	N/A	N/A
6	Revaluation to fair value of property that is leased to tenants under a finance lease	X	X	N/A	N/A
7	Revaluation to fair value of real estate held as inventory	X	X	N/A	N/A
8	Revaluation to fair value of other investments in real assets	X	X	N/A	N/A
9	Revaluation to fair value of indirect investments not consolidated	X	X	N/A	N/A
10	Revaluation to fair value of financial assets and financial liabilities	X	X	N/A	N/A
11	Revaluation to fair value of construction contracts for third parties	X	X	N/A	N/A
12	Set-up costs	X	X	N/A	N/A
13	Acquisition expenses	X	X	Yes	Yes
14	Contractual fees	X	X	N/A	N/A
	Effects of the expected manner of settlement of sales/vehicle unwinding	X	X	N/A	N/A
15	Revaluation to fair value of savings of purchaser's costs such as transfer taxes	X	X	N/A	N/A
16	Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	X	X	N/A	N/A
17	Effect of subsidiaries having a negative equity (non-recourse)	X	X	N/A	N/A
	Other adjustments	X	X	N/A	N/A
18	Goodwill	X	X	N/A	N/A
19	Non-controlling interest effects of INREV adjustments	X	X	N/A	N/A
	INREV NAV	X	X	Yes	Yes

INREV adjustments

All amounts in € thousands, unless otherwise stated

Note		Total 2018	Per share 2018	Total 2017	Per share 2017
	NAV as per the financial statements	**771,241**	**2,506.33**	**631,446**	**2,295.87**
	Reclassification of certain IFRS liabilities as components of equity	-	-	-	-
1	Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	-	-	-	-
2	Effect of dividends recorded as a liability which have not been distributed	-	-	-	-
	NAV after reclassification of equity-like interests and dividends not yet distributed	**771,241**	**2,506.33**	**631,446**	**2,295.87**
	Fair value of assets and liabilities	-	-	-	-
3	Revaluation to fair value of investment properties	-	-	-	-
4	Revaluation to fair value of self-constructed or developed investment property	-	-	-	-
5	Revaluation to fair value of investment property held for sale	-	-	-	-
6	Revaluation to fair value of property that is leased to tenants under a finance lease	-	-	-	-
7	Revaluation to fair value of real estate held as inventory	-	-	-	-
8	Revaluation to fair value of other investments in real assets	-	-	-	-
9	Revaluation to fair value of indirect investments not consolidated	-	-	-	-
10	Revaluation to fair value of financial assets and financial liabilities	-	-	-	-
11	Revaluation to fair value of construction contracts for third parties	-	-	-	-
12	Set-up costs	-	-	-	-
13	Acquisition expenses	1,468	4.77	2,937	10.68
14	Contractual fees	-	-	-	-
	Effects of the expected manner of settlement of sales/vehicle unwinding	-	-	-	-
15	Revaluation to fair value of savings of purchaser's costs such as transfer taxes	-	-	-	-
16	Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	-	-	-	-
17	Effect of subsidiaries having a negative equity (non-recourse)	-	-	-	-
	Other adjustments	-	-	-	-
18	Goodwill	-	-	-	-
19	Non-controlling interest effects of INREV adjustments	-	-	-	-
	INREV NAV	**772,709**	**2,511.10**	**634,383**	**2,306.55**
	Number of shares issued	307,717		275,035	
	Number of shares issued taking dilution effect into account	307,717		275,035	
	Weighted average INREV NAV	693,226		567,692	
	Weigthed average INREV GAV	709,912		577,946	
	Total Expense Ratio (NAV)	0.55%		0.54%	
	Total Expense Ratio (GAV)	0.53%		0.53%	
	Real Estate Expense Ratio (GAV)	2.51%		3.20%	

Notes to the INREV adjustments

All amounts in € thousands, unless otherwise stated

1 Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders' long term interest in a vehicle

Investors' capital can take various forms aside from equity – examples include shareholder loans and hybrid capital instruments such as convertible bonds. Some vehicles are structured via a combination of equity participations and shareholder loans.

Shareholder loans and hybrid capital instruments are generally seen as part of the investors' overall interest in the vehicle.

Since investors in the Fund only invest via shares, no adjustment is included.

2 Effect of dividends recorded as a liability which have not been distributed

Under certain circumstances dividends are recorded as a liability but have not yet been legally distributed. For the determination of INREV NAV, these accrued dividends should be reversed to the NAV.

As per 31 December 2018, no dividends are recorded as a liability, no adjustment is included.

3 Revaluation to fair value of investment property

After initial recognition, investment property is valued at fair value under the fair value option of IAS 40. Therefore no adjustment had to be made as per 31 December 2018.

4 Revaluation to fair value of self-constructed or developed investment property

Development property is investment property under construction and valued at fair value under the fair value option of IAS 40. Therefore no adjustment had to be made as per 31 December 2018.

5 Revaluation to fair value of investment property held for sale

Assets in this category are measured under IFRS at the lower of cost or net realisable value in the financial statements. The adjustment represents the impact on NAV of the revaluation of the property intended for sale, measured at cost, to fair value.

As per 31 December 2018, no properties intended for sale had been presented that are not included in the fair value of investment property.

6 Revaluation to fair value of property that is leased to tenants under a finance lease

Property that is leased to tenants under a finance lease is initially measured on a net investment basis and subsequently re-measured based on an amortisation pattern reflecting a constant rate of return. The adjustment represents the impact on NAV of the revaluation of the finance lease receivable to fair value.

As per 31 December 2018, no adjustment had been made since no property is held that is leased to tenants under a finance lease.

7 Revaluation to fair value of real estate held as inventory

Properties intended for sale and accounted for under IAS 2 (Inventory) are measured at the lower of cost or net realisable value in the financial statements. This adjustment represents the impact on the NAV of the revaluation of such properties to net realisable value (fair value less disposal costs). This adjustment should be included under the caption 'revaluation to fair value of real estate held as inventory'.

As per 31 December 2018, no adjustment had been made since no property is accounted for under IAS 2 (Inventory).

8 Revaluation to fair value of other investments in real assets

Under IAS16 other investments in real assets are normally accounted for at cost. The adjustment represents the impact on NAV of the revaluation of other investments in real assets to fair value in accordance with the fair value assumptions under IFRS 13.

As per 31 December 2018, no adjustment had been made since the Fund has no investments in real assets.

9 Revaluation to fair value of indirect investments not consolidated

Indirect investments in real estate, such as investments in associations and joint ventures, have different accounting treatments and carrying values under IFRS. Such investments can be valued at cost, fair value or NAV. The adjustment represents the impact on NAV of the revaluation of indirect investments to fair value if not yet accounted for at fair value.

As per 31 December 2018, no adjustment had been made since the Fund has no indirect investments in real estate.

10 Revaluation to fair value of financial assets and liabilities (including revaluation to fair value of debt obligations)

Financial assets and liabilities such as debt obligations are generally measured at amortised cost, taking into account any impairment when applicable. The adjustment represents the impact on NAV of the revaluation of financial assets and financial liabilities to fair value as determined in accordance with IFRS.

As per 31 December 2018, no adjustment had been made since the financial assets and liabilities accounted for in the Statement of financial position are not materially different with the fair value of the financial assets and liabilities in accordance with the fair value principles of IFRS 13.

11 Revaluation to fair value of construction contracts for third parties

Under IAS11, construction contracts for third parties are normally accounted for based on the stage of completion. The adjustment represents the impact on NAV of the revaluation of construction contracts for third parties to fair value in accordance with the fair value principles of IFRS 13.

As per 31 December 2018, no adjustment had been made since the Fund has no construction contracts of third parties.

Adjustments to reflect the spreading of one-off costs

As described in further detail below, set-up costs and acquisition expenses should be capitalised and amortised. The rationale for these adjustments is to spread these costs over a defined period of time to smooth the effect of the write-off of costs on the vehicle's performance. Furthermore, it is a simple mechanism to spread costs between different investor groups entering or leaving the vehicle's equity at different times.

In practice, there are many other ways in which vehicles address such issues for pricing, valuation, or other purposes. Since the INREV NAV is primarily intended to facilitate comparability between different vehicles, the INREV approach is a simple but fixed methodology. Please note that these capitalised costs are subject to an impairment test each time the NAV is calculated and therefore should always be recoverable over time.

As the adjustments with respect to set-up costs are separately disclosed in the calculation of a vehicle's INREV NAV, investors can choose how these are taken into account when valuing their holding.

12 Set-up costs

Set-up costs (i.e. establishment expenses) are charged immediately to income after the initial closing date. This adjustment represents the impact on NAV of the capitalisation and amortisation of set-up costs over the first five years of the terms of the Fund. When capitalising and amortising set-up costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and it is not to be expected that the capitalised set-up costs can be recovered.

As per 31 December 2018, the set-up costs of the Fund have been amortised, so no adjustment had been made per 31 December 2018.

13 Acquisition expenses

Under the Fair Value model, acquisition expenses of investments under the fair value assumptions according to IFRS may be partly charged to income or equity as fair value changes at the first subsequent measurement date after acquisition. This is when the fair value at the moment of measurement is less than the total amount of the purchase value of the assets and the acquisition expenses.

This adjustment represents the impact on NAV of the capitalisation and amortisation of acquisition expenses over the period from acquisition of the specific asset to five years after initial closing.

When an asset is sold during the amortisation period, the balance of capitalised acquisition expenses is charged to the income statement in the period of sale.

When capitalising and amortising acquisition costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated (when market circumstances change) and it is not expected that the capitalised acquisition costs can be recovered with the sale of units of the Fund.

Most of the acquisitions are realised via a turn-key agreement with a development company. Since these acquisitions can be purchased free of transfer-tax normally the acquisition price is higher than if transfer-taxes should be paid separately. The valuation methodology is the net valuation after deduction of acquisition cost for a potential buyer. At initial recognition and during the instalments a part in the revaluation result will include the effect of the difference of the purchase price and the net valuation after deduction of acquisition cost for a potential buyer. This difference is taken into account in the INREV NAV as a separate item in the INREV adjustment in respect to Acquisition expenses.

Capitalised acquisition costs as per 31 December 2017	2,937
Acquisition costs 2018	-
Amortisation acquisition costs in 2018	(1,469)
Adjustment NAV (excluding tax)	**1,468**

14 Contractual fees

A liability represents a present obligation. A fee payable at the end of the lifetime of the Fund or at any other moment during the lifetime of the Fund may not meet the criteria for recognition of a provision or liability in accordance with IFRS at the moment the accounts are prepared.

As per the balance sheet date, all contractual fees and contingent liabilities are recognised in accordance with IFRS. The Fund did not enter into any other contractual fees or contingent liabilities that are not presented in the accounts as per the balance sheet date.

15 Revaluation to fair value of savings of purchaser's costs such as transfer taxes

This adjustment represents the positive impact on NAV of the possible reduction of transfer taxes and purchaser's costs for the seller based on the expected sale via the sale of shares. Transfer taxes and purchaser's costs which would be incurred in an asset sale are generally deducted when determining the fair value of the properties. The effect of a possible sale of shares in a property vehicle might be taken into account when determining the deduction of transfer taxes and purchaser's costs (if this lowers the actual transfer tax and/or purchaser's costs to be paid upon sale by the seller).

The Fund has no investment property structured in special vehicles. As per 31 December 2018, no adjustment had been made due to the fact that it is impossible to sell investment property via a share deal. Therefore, there is no possibility of an additional reduction of the transfer tax or purchaser's costs that might lead to a higher sales price.

16 Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments

Under IFRS, deferred tax (assets and liabilities) is measured at the nominal statutory tax rate. How the Fund expects to settle deferred tax is not taken into consideration. This adjustment represents the impact on NAV of the deferred tax for assets and liabilities or financial instruments based on the expected settlement. This should be taken into consideration when tax structures have been applied to reduce tax on capital gains or allowances.

Where goodwill is included in the Statement of financial position as a result of a deferred tax liability that is eliminated as a result of the above-mentioned adjustment, the goodwill related to this deferred tax will be excluded from NAV.

The Fund has the status of a fiscal investment institution (0% corporate tax rate). Therefore, no adjustment has been made, as the Fund is exempt from corporate tax payments.

17 Effect of subsidiaries having a negative equity (non-recourse)

The adjustment represents the positive impact on the NAV of the partial or full reversal of the negative equity of the specific subsidiary. If the vehicle has granted shareholder loans to the subsidiary, these should be taken into account.

As per 31 December 2018, no adjustment had been made since the Fund has no subsidiaries with negative equity.

18 Goodwill

At acquisition of an entity which is determined to be a business combination, goodwill may arise as a result of a purchase price allocation exercise. Often a major component of such goodwill in property vehicles reflects the difference between the full recognition of deferred tax, purchaser's costs or similar items in the IFRS accounts (which does not generally take account of the likely or intended method of subsequent exit), and the economic value attributed to such items in the actual purchase price. Except where such components of goodwill have already been written off in the NAV as determined under IFRS, they should be written off in the INREV NAV.

As per 31 December 2018, no adjustment had been made since the Fund has no goodwill recognised in the Statement of financial position.

19 Non-controlling interest effects of INREV adjustments

This adjustment represents the impact on the NAV of the recognition of non-controlling interests on all of the above adjustments.

As per 31 December 2018, no adjustment had been made since the Fund holds no minority interests.

Independent auditor's report

To the shareholders of Bouwinvest Dutch Institutional Office Fund N.V.

Report on the INREV adjustments

Our Opinion

We have audited the accompanying INREV adjustments 2018 of Bouwinvest Dutch Institutional Office Fund N.V., based in Amsterdam.

In our opinion the INREV adjustments are prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the fund, i.e. INREV valuation principles, as set out on page 90 up to and including page 96.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the INREV adjustments" section of our report.

We are independent of Bouwinvest Dutch Institutional Office Fund N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Description of responsibilities for the INREV adjustments

Responsibilities of management for the INREV adjustments

Management is responsible for the preparation of the INREV adjustments in accordance with the accounting policies selected and disclosed by the fund (INREV valuation principles) as set out on page 90 up to and including page 96.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the INREV adjustments that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the INREV adjustments

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these INREV adjustments. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the INREV adjustments, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluating the overall presentation, structure and content of the INREV adjustments, including the disclosures.
- Evaluating whether the INREV adjustments represent the underlying transactions and events free from material misstatement.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, March 20, 2019

Deloitte Accountants B.V.

Signed on the original: J. Holland

Shareholders' information & Client Management

Legal and capital structure

Bouwinvest Dutch Institutional Office Fund N.V. is a public limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code. It is a fiscal investment institution (FII) within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969.

Bouwinvest Real Estate Investors B.V. (Bouwinvest) is the Fund's Statutory Director and management company, subject to the terms of the management agreement. In February 2014, the management company obtained a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act and is now subject to the supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB).

Shareholders

In 2018 there were no new commitments. As of January 2019 there are new commitments for a total amount of € 223 from a new as well as an existing investor.

Name shareholder	Number of shares at year-end 2018
Shareholder A	291,223
Shareholder B	10,910
Shareholder C	4,730
Shareholder D	854
Total	**307,717**

Dividend

As a result of the Fund's fiscal investment institution (FII) status, Bouwinvest will distribute all of the Net Realised Result to the shareholders through four quarterly interim dividend payments and one final dividend payment.

The Board of Directors proposes to pay a dividend of € 52.98 per share for 2018 (2017: € 59.81), which corresponds to a pay-out ratio of 100%. It is proposed that the dividend will be paid in cash, within the constraints imposed by the company's fiscal investment institution (FII) status. Of this total dividend, 86.8 % was paid out in the course of 2018. The fourth instalment was paid on 5 March 2019. The rest of the distribution over 2018 will be paid in one final instalment following the Annual General Meeting of shareholders on 24 April 2019.

Shareholders' calendar

5 March 2019	Payment interim dividend fourth quarter 2018
24 April 2019	Annual General Meeting of Shareholders
2 May 2019	Payment of final dividend 2018
14 May 2019	Payment interim dividend first quarter 2019
12 June 2019	Shareholders committee
13 August 2019	Payment interim dividend second quarter 2019
4 November 2019	Shareholders committee
12 November 2019	Payment interim dividend third quarter 2019
4 December 2019	General Meeting of Shareholders
25 February 2020	Payment interim dividend fourth quarter 2019

Client management

Bouwinvest aims for the highest level of transparency in its communications on the financial situation, strategy, plans and other information relevant to its existing and potential investors and other stakeholders. In addition to this Annual Report, the Management Company reports on a quarterly basis on the status of the Fund and organises quarterly conference calls to discuss the developments within the Fund with its shareholders. Furthermore, Bouwinvest organises General Meetings of Shareholders twice a year, together with Shareholders Committee meetings to discuss and approve the Fund plan and annual report. All information and documents related to the Fund are available for shareholders via the Bouwinvest Investor Portal.

In addition to the regular information outlined above, Bouwinvest organised a number of client activities in 2018, including road shows, property tours and one-on-one meetings with (potential) investors, plus we attended several high-profile real estate conferences to present the management organisation, its strategy and its vision on real estate to (potential) investors.

For further information on Bouwinvest's investment opportunities, please visit the corporate website at Bouwinvest.nl. You can also contact the Client Management department at clientmanagement@bouwinvest.nl or Karen Huizer, Director Client Management: +31 (0)20 677 1610.

Enclosure

Management company profile

Bouwinvest Real Estate Investors B.V. (Bouwinvest) is one of the largest Dutch institutional real estate investment managers. Bouwinvest strives to achieve risk-adjusted returns on behalf of its pension fund clients. Bouwinvest manages €11.3 billion in assets in five Dutch property sector funds and international real estate investments in Europe, North America and the Asia-Pacific region.

With 65 years' experience and a heritage rooted in the pension and construction industries, Bouwinvest understands the needs of long-term institutional investors and the dynamics of real estate investment markets. In the Netherlands, we invest directly in real estate, while internationally Bouwinvest partners with real estate operators who have a proven track record and share our investment philosophy.

The combination of a strong domestic focus and a well-diversified global portfolio gives Bouwinvest a broad perspective on the real estate investment markets and allows us to identify the best investment opportunities.

Composition of the Board of Directors

Chief Executive Officer and Statutory Director

D.J. (Dick) van Hal (1958, Dutch)

Dick van Hal has been Chairman of the Board of Directors since his appointment on 1 March 2008. From 1999 until that time, he held several senior positions at Syntrus Achmea Vastgoed, including Managing Director and CEO. Dick started his career with Centraal Beheer Beleggingen and Staal Bankiers. He studied Investment Analysis (VBA) at the University of Amsterdam. Dick is Chairman of IVBN (Dutch Association of Institutional Investors in Real Estate).

Chief Financial & Risk Officer

A. (Arno) van Geet (1973, Dutch)

Arno van Geet joined Bouwinvest as Managing Director Finance & Risk on 1 October 2014. Prior to joining Bouwinvest, he spent his entire career in the financial sector, including various management roles at Interpolis and Westland Utrecht Hypotheekbank, most recently as Chief Financial Officer at Allianz Nederland. Arno is responsible for financial and risk management, accounting, reporting, corporate control, internal audit, business process management, IT and research. Arno studied Law and Economics at the University of Utrecht.

Chief Investment Officer Dutch Investments

A. (Allard) van Spaandonk (1961, Dutch)

Allard van Spaandonk joined Bouwinvest on 1 November 2008, as Director Asset Management. Since 1 January 2013, Allard has been Managing Director Dutch Investments, responsible for investments in Dutch real estate. He was previously the director of the retail and residential portfolios at Syntrus Achmea Vastgoed, as well as head of residential mortgages at Achmea Vastgoed. Allard started his real estate career at ABP Hypotheken in 1986. Allard is a member of the Management Board of the NEPROM (Dutch association of project development companies).

Chief Investment Officer International Investments

S.A. (Stephen) Tross (1967, Dutch)

Stephen Tross was appointed as Managing Director International Investments on 1 September 2010. He joined Bouwinvest in 2009 as COO International Investments. Stephen previously worked in the real estate audit practices at KPMG Accountants NV and PwC in the Netherlands, New York and London. He studied Business Economics at the Hogeschool Utrecht and accountancy at NIvRA-Nyenrode. Stephen is a professional member of the British Institution of Chartered Surveyors and a member of the ANREV Management Board.

Director Dutch Office & Hotel Investments

S.F. (Bas) Jochims (1977, Dutch)

Bas Jochims has been Director Dutch Office & Hotel Investments since 2008. He is responsible for the performance of the assets of the Bouwinvest Dutch Institutional Office Fund. He joined Bouwinvest in 2005 as Asset Manager. He has seventeen years' experience in real estate asset management. Bas gained his office real estate experience with Dynamis ABC Offices, where he worked as an Account Manager and was responsible for the total property management in the greater Amsterdam and The Hague areas.

Contact information

Bouwinvest Real Estate Investors B.V.
La Guardiaweg 4
1043 DG, Amsterdam
The Netherlands

External auditor
Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
The Netherlands

Depositary
Intertrust Depositary Services B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands

Tax adviser
KPMG Meijburg & Co
Laan van Langerhuize 9
1186 DS Amstelveen
The Netherlands

Legal adviser and Fund notary
De Brauw Blackstone Westbroek N.V.
Claude Debussylaan 80
1082 MD Amsterdam
The Netherlands

Real estate notary
De Brauw Blackstone Westbroek N.V.
Claude Debussylaan 80
1082 MD Amsterdam
The Netherlands

External appraisers
Cushman & Wakefield
Gustav Mahlerlaan 362-364
1082 ME Amsterdam
The Netherlands

Jones Lang LaSalle
Parnassusweg 727
1077 DG Amsterdam
The Netherlands

Glossary

Capital growth
Capital growth as a percentage is equal to the net result (INREV) minus the distributable result, divided by the INREV NAV at the beginning of the period, plus any capital calls (time-weighted) and less any distributed dividends/ capital distributions (time-weighted).

Considerate construction schemes
The proportion of construction sites controlled by the reporting company which are registered under the Dutch considerate construction scheme 'Bewuste Bouwers' in a reporting year, weighted by purchase price.

Direct property return
Direct property return as a percentage is equal to the net rental income of investment properties divided by the value of the investment properties including purchaser’s transaction costs, on a monthly basis (MSCI methodology).

Distributable result
Distributable result is the company only total rental income and other income net of all expenses, costs, fees (including management fee), financing costs and taxes borne by the Fund available for distribution to the shareholders.

Energy index of the portfolio
Average energy index on asset level, weighted by lettable floor area. Based on investment properties and excluded units without an energy index. For the residential portfolio, the average energy index is calculated at unit level.

Estimated rental value
The estimated rent at which space within a property could reasonably be expected to be let given current market conditions.

Financial occupancy rate
This is the average occupancy rate of the portfolio over the year calculated on the basis of rental revenue according to contracts as at the reporting date, as a percentage of the theoretical rent.

Green portfolio
Relative share of lettable floor area with energy label A, B and C compared to total lettable floor area of the portfolio. Based on investment properties and excluded listed buildings. For the residential portfolio, the green portfolio is calculated at unit level.

GRESB score
The GRESB (Global Real Estate Sustainability Benchmark) score is an overall measure of ESG performance – represented as a percentage of a 100 percent maximum. The score is a result of the annual assessment of the entity by GRESB.

GRESB star rating
The GRESB star rating is based on the GRESB Score and its quintile position relative to the GRESB universe, with annual calibration of the model. If an entity is placed in the top quintile, it will be a GRESB 5-star rated entity; if it ranks in the bottom quintile, it will be a GRESB 1-star rated entity, etc. As the GRESB star rating is calculated relative to the global performance of reporting entities, it shows exactly where the Fund stands on a global scale.

Gross Asset Value (GAV)
The total property portfolio plus the value of any further assets at market value as per the chosen valuation principles.

Gross initial yield (passing)
Passing rent divided by the gross capital value of the investment property including purchaser's transaction costs, as per end of period.

Gross initial yield (market)
Theoretical rent (market) divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Gross rental income
The gross rental income is the total contractual rental income over the reporting period from let properties reported under IFRS, including the net effects of straight-lining for lease incentives, including rent free periods.

Income return
Income return as a percentage is equal to the distributable result, divided by the INREV NAV at the beginning of the period, plus any capital calls (time-weighted) and less any distributed dividends/capital distributions (time-weighted).

Invested capital
Invested capital is defined as the net asset value of the funds, as per the chosen valuation principles of the funds, that Bouwinvest manages as investment manager.

Indirect property return
Indirect property return as a percentage is equal the increase/decrease in the value of a property or group of properties net of capital expenditure divided by the value of the investment properties including purchaser's transaction costs, on a monthly basis (MSCI methodology).

INREV NAV
INREV NAV is based on the fair value of the underlying assets and liabilities, as at the balance sheet date, and adjusted for the spreading of costs that will benefit different generations of investors.

Investment property
Property that is fully operational on the reporting date

Investment property under construction
Property that is being constructed or developed for future use as investment property.

Lease incentive
Any consideration or expense borne by the property company, in order to secure a lease.

Like-for-like gross rental income
Like-for-like gross rental income compares the increase/decrease of the gross rental income of the portfolio that has been consistently in operation, during two full preceding periods that are described.

Membership of industry associations
Number of employees active in board/committee memberships in industry organisations in the real estate sector in reporting period.

MSCI Netherlands Property Index
Benchmark organization IPD is rebranded to MSCI. Therefore we mention MSCI Netherlands Annual Property Index instead of IPD Netherlands Annual Property Index. The composition and calculation of the indexes and benchmarks remain the same: indirect property return as a percentage is equal to the increase/decrease in the value of a property or group of properties net of capital expenditure divided by the value of the investment properties including purchaser's transaction costs, on a monthly basis.

Net asset value (NAV)
The net asset value is equal to the shareholders' equity of the Fund.

Net initial yield
Net rental income divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Net rental income
Net rental income is gross rental income for the period less ground rents payable, service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.

On-site solar power
Amount of installed power (Kilowatt peak - KWp) from on-site solar panels in the investment portfolio.

Passing rent
The annualised cash rental income being received as at a certain date, excluding the net effects of straight-lining for lease incentives. For the avoidance of doubt, where no rent is currently being paid due to operation of a rent-free period, the passing rent will be shown as zero.

Payout ratio of distributable earnings
This is the distributed dividend in the reporting period divided by the distributable result in the reporting period.

Reduction of energy consumption
Percentage of change in energy consumption (electricity and gas) at end of reporting year compared to previous year on a like-for-like basis for energy meters which were under the direct control of the Fund. Like-for-like refers to the energy consumption of a portfolio that has been consistently in operation for two comparative periods. Gas consumption is converted from m^3 to kWh based on the conversion factor as published at end of period on https://www.co2emissiefactoren.nl. And gas consumption of the reporting year is corrected for differences in the number of degree days at De Bilt (the Netherlands) between the current and previous year.

Real Estate Expense Ratio (REER)
Annual vehicle-level and property-specific costs over a 12 month period as a proportion of average vehicle assets (average GAV and average NAV).

Sustainably certified portfolio
The relative share of investment properties within a portfolio that have been formally granted sustainable building certification, rating or labelling at the end of a reporting period, compared to the total portfolio of investment properties (based on m^2 LFA).

Theoretical rent
Passing rent over the reporting period plus estimated rental value of vacant units.

Total Expense Ratio (TER)
The total expense ratio reflects the total Fund expenses of the current reporting period as a percentage of the weighted average Net Asset Value (NAV) over the period. The TER is backwardlooking and includes the management fee, administrative expenses and valuation fees.

Total Fund return (INREV)
Total Fund return (INREV) as a percentage is equal to the net result (INREV) divided by the INREV NAV at the beginning of the period, plus any capital calls (time-weighted) and less any distributed dividends/capital distributions (time-weighted).

Transactions
Transactions are contractual obligations for the purchase of investment properties, where such property is not generating income for the benefit of the Fund as of the reporting date.

WALT (average remaining lease time)
Weighted average duration of lease contracts based on rent to the shorter of the first tenant break or lease expiry.

Responsible investment performance indicators

Continued improvement of the Fund's sustainability performance

Impact area	Indicator	Measure	Units of measure	2018	2017	Change
Fund sustainability benchmark	GRESB	Star rating	# stars	5	5	-
	GRESB	Overall score (GRI-CRESS: CRE8)	# [1-100]	88	86	+2

Investing in sustainable real estate

Impact area	Indicator	Measure	Units of measure	2018	2017	% change
Asset sustainability certificate	BREEAM	Green Building Certificates floor space (BREEAM or GPR) (GRI-CRESS: CRE8)	%	98%	89%	9 bps

Reduce Environmental impact

Impact area	Indicator	Measure	Units of measure	2018	2017	% change
Energy performance certificate	EPC	Labelled floor space (GRI-CRESS: CRE8)	%	100%	100%	0%
		Green labelled floor space (A, B or C label)	%	73.0	73.1	0%
		Average energy index	#	1.05	1.13	-7%

Impact area	Indicator	Measure	Units of measure	2018 (Abs)	2017 (abs)	% change (LfL)
Energy	Electricity	Total landlord-obtained electricity (GRI: 302-2)	MWh	19,092	18,814	0.9%
	Gas	Total gas consumption (GRI: 302-1)		304	304	0.0%
	District heating and cooling	Total district heating and cooling (GRI: 302-2)		10,154	10,239	-0.8%
	Total	Total energy consumption from all sources (GRI: 302-2)		29,550	29,356	0.3%
	Energy intensity	Building energy intensity (GRI-CRESS: CRE1)	kWh/m^2/year	162	161	0.3%
		Energy and associated GHG disclosure coverage		6 of 9	6 of 9	
GHG emissions	Direct	Scope 1 (GRI: 305-1)	tonnes CO_2e	59	59	0.0%
	Indirect	Scope 2 (GRI: 305-2)		11,358	11,223	0.7%
	Total	Total GHG emissions (GRI: 305-2) Scope 1 and 2		11,417	11,282	0.7%
		Total GHG emissions after compensation		1,375	1,386	-0.8%
	GHG emissions intensity	GHG intensity from building energy (GRI-CRESS: CRE3)	kg CO_2e/m^2/year	62	62	0.7%
Water	Total	Total water consumption (GRI:303-1)	m^3	70,524	75,842	-7.0%
	Water intensity	Building water intensity (GRI-CRESS: CRE2)	m^3/m^2/year	0.41	0.44	-7.0%
Waste	Total	Total waste collected (GRI: 306-1)	tonnes	719	628	17.2%
		Recycling rate	%	34%	34%	-3.7%

Stakeholder engagement performance

Impact area	Indicator	Measure	Units of measure	2018	2017	% change
Engage with stakeholders	Tenant satisfaction	Response rate (GRI: 102-43)	%	63%	38%	+ 25 bps
		Average total score (GRI: 102-43)	#	6.6	6.8	-3%
Sustainable stewardship	Considerate constructors scheme	Registered construction projects	#	4 of 4	2 of 3	
		Participation rate (by acquisition price)	%	100%	27%	+ 73 bps

** This concerns only lease agreements with regard to office space, leases for parking spaces are excluded.*

Being a responsible organisation

Impact area	Indicator	Measure	Units of measure	2018	2017	% change
Sustainable agreements	Leases	Number of new leases	#	165	162	1.9%
		Number of green leases*	#	21 of 221	2 of 229	

Reporting of performance indicators

The Fund's ambition to increase the coverage and therefore the transparency of its environmental impact according to INREV Sustainability Reporting Guidelines is reflected in the summary of key performance indicators in the table above.

Bouwinvest reports environmental data of those assets where there is management control possible (operational control approach). Data is provided for those assets where we have authority to introduce and implement operating policies and are responsible for purchasing energy and water and handling waste. Our management control differs greatly by asset type (e.g. residential and office); these differences affect the level of influence we have over the sustainability performance of our assets.

Like for like data and changes represents assets which have been fully owned and operational for the full 24 month period in our investment portfolio. It provides insight in the performance of an indicator over time at a constant portfolio scope. The reduction in GHG emissions can be explained by the compensation of carbon emissions through purchase of carbon certificates. This follows the commitment of Bouwinvest to reduce the impact its operations has on climate change.

For the managed portfolio (scope 1 and 2), Bouwinvest reports on total energy consumption including all direct energy sources (gas and fuel) and indirect energy sources (electricity, district heating and district cooling). To calculate Greenhouse Gas (GHG) emissions, country and energy source-specific emission factors have been applied. Emission factors change over time. For this annual report most recently available factors for 2018 are used (source:www.co2emissiefactoren.nl).

Energy, Emission and Water intensities are reported only on properties where energy respectively water data is available, using "shared services" as the numerator and lettable floor area (LFA) as the denominator. "Shared services" refer to landlord-obtained consumption for common parts and any services provided to tenant areas that have not been sub-metered.

In the annual report of Bouwinvest Real Estate Investors B.V. the results of a conducted analysis on material topics and observations on stakeholders and reporting criteria with regard to Bouwinvest and its investment activities in general are included. The responsible investing indicators in this report are aligned with these results and observations where applicable.

Properties overview

Municipality	Street name/property name	Floor space (in m²)	No. of parking units	Year of construction/ renovation	Land ownership	Core region	Financial occupancy rate (average)
AMSTERDAM	De Lairesse	3,522	57	1998	Freehold	Amsterdam	89.9%
AMSTERDAM	Valeriusplein	918	-	1917	Leasehold	Amsterdam	100.0%
AMSTERDAM	Olympisch Stadion (Parking)	125	850	2001	Freehold	Amsterdam	99.3%
AMSTERDAM	Olympisch Stadion (Offices)	13,092	-	1999	Freehold	Amsterdam	98.4%
AMSTERDAM	Building 1931*	7,474	40	1931	Leasehold	Amsterdam	N/A
AMSTERDAM	Building 1962*	12,560	17	1962	Leasehold	Amsterdam	N/A
AMSTERDAM	Hourglass*	21,949	142	2017	Leasehold	Amsterdam	N/A
AMSTERDAM	Valina	3,716	14	2015	Leasehold	Amsterdam	100.0%
ROTTERDAM	Maasparc	6,357	30	2000	Freehold	Rotterdam	100.0%
ROTTERDAM	WTC Rotterdam (Offices)	51,395	-	1987	Freehold	Rotterdam	62.6%
ROTTERDAM	WTC Rotterdam (Parking P1 / P2)	20	240	1987	Freehold	Rotterdam	81.9%
ROTTERDAM	WTC Rotterdam (Parking WTC-Beursplein)	-	340	1987	Freehold	Rotterdam	99.9%
THE HAGUE	Centre Court (Offices)	39,755	-	2002	Freehold	The Hague	100.0%
THE HAGUE	Centre Court (Parking)	-	670	2002	Freehold	The Hague	79.1%
THE HAGUE	WTC The Hague / Prinsenhof (Offices)	63,332	-	2004	Freehold	The Hague	91.8%
THE HAGUE	WTC The Hague / Prinsenhof (Parking)	584	958	2004	Freehold	The Hague	100.6%
UTRECHT	Nieuwe Vaart	11,595	111	1992	Freehold	Utrecht	100.0%
UTRECHT	Central Park*	27,976	370	2018		Utrecht	N/A
Total		264,370	3,839				89.2%

* Investment property under construction

Colophon

Text: Bouwinvest
Concept: Bouwinvest
Design and production: Cascade - visuele communicatie bv

La Guardiaweg 4
1043 DG Amsterdam
The Netherlands
T +31 (0)20 677 16 00

www.bouwinvest.nl
www.linkedin.com/company/bouwinvest

Bouwinvest
Dutch Institutional
Office Fund N.V.

Real
Estate
Investors